SMALL ESTABLISHMENT SERVICE

1979 ANNUAL PRESENTATION

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Planning Services for Management

SMALL ESTABLISHMENT SERVICE
1979 ANNUAL PRESENTATION

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SMALL ESTABLISHMENT SERVICE

1979 ANNUAL PRESENTATION

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SMALL ESTABLISHMENT SERVICE
(SES)

ANNUAL PRESENTATION
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- A NEW DISTRIBUTION TREND
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- SUCCESSFUL STRATEGIES
  - LEADING EDGE VENDORS TO SMALL ESTABLISHMENTS

PROGRAM CONTENTS 1979

- IMPACT REPORTS
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  - MEDICAL GROUPS AND CLINICS
  - INSURANCE AGENTS
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- ANNUAL REPORT 1979
- ANNUAL PRESENTATION
- CONSULTATION

PROGRAM OBJECTIVES 1980

- EXPAND TO INCLUDE AND EMPHASIZE DISTRIBUTION TECHNIQUES TO ALL SIZES OF ESTABLISHMENTS
- STUDY THE COMPETITIVE AND STRATEGIC ENVIRONMENT
- UNDERSTAND HOW TO MEET USER NEEDS THROUGH IMPROVED PRODUCTS AND SERVICES

PROGRAM OBJECTIVES 1979

- UNDERSTAND THE UNIQUENESS OF THE MARKET
  - USER NEEDS
  - VENDOR ACTIONS
  - SUCCESSFUL STRATEGIES
- MARKETING TECHNIQUES
  - REACHING THE CUSTOMER
  - MAKING THE SALE

PROGRAM CONTENTS 1980

- UTILIZE AN INCREASED NUMBER OF SMALLER (25-30 PAGE) REPORTS TO EMPHASIZE KEY ISSUES
  - ADVANCED DISTRIBUTION TECHNIQUES (THREE REPORTS)
  - KEY MARKET PARTICIPANT ANALYSIS (THREE REPORTS)
  - KEY PRODUCT OFFERINGS (THREE REPORTS)
- IMPACT/INDUSTRY - MAJOR REPORTS ON KEY CROSS INDUSTRY ISSUES AND KEY INDUSTRIES
  - TWO REPORTS
- ANNUAL REPORT 1980
- ANNUAL PRESENTATION
- CONSULTING SERVICES THROUGHOUT THE YEAR

SMALL ESTABLISHMENTS DEFINED

- AN ESTABLISHMENT IS A STREET ADDRESS
  - A STAND ALONE BUILDING
  - OFFICE
- BRANCHES OF LARGE COMPANIES
  - 100 TO 499 EMPLOYEES
  - 20 TO 99 EMPLOYEES
  - 1 TO 19 EMPLOYEES
- INDEPENDENT ENTERPRISES
  - 100 TO 499 EMPLOYEES
  - 20 TO 99 EMPLOYEES
  - 1 TO 19 EMPLOYEES

SMALL ESTABLISHMENTS DEMOGRAPHICS

- 99% OF ALL ESTABLISHMENTS HAVE LESS THAN 500 EMPLOYEES
- IN THE SES CATEGORIES:
  - 1-19 EMPLOYEES — 3,600,000 ESTABLISHMENTS
  - 20-99 EMPLOYEES — 400,000 ESTABLISHMENTS
  - 100-499 EMPLOYEES — 70,000 ESTABLISHMENTS
- 75% OF UNITED STATES EMPLOYEES WORK IN SMALL ESTABLISHMENTS
  - 1-19 EMPLOYEES — 17 MILLION EMPLOYEES
  - 20-99 EMPLOYEES — 17 MILLION EMPLOYEES
  - 100-499 EMPLOYEES — 14 MILLION EMPLOYEES

SIZE OF THE SMALL ESTABLISHMENT MARKET

- EXPENDITURES IN DOLLARS 1978

- COMPUTER EQUIPMENT	$7.3 BILLION
- COMPUTER SERVICES	$2.2 BILLION
- OFFICE EQUIPMENT	$7.8 BILLION
- COMMUNICATIONS EQUIPMENT	$4.9 BILLION
- COMMUNICATIONS SERVICES	$14.5 BILLION
	$36.7 BILLION

- BY 1984 ALMOST $90 BILLION

MARKET GROWTH IN DOLLARS (IN 1978)

- COMPUTER EQUIPMENT AND SERVICES - - 28% AAGR
- COMMUNICATIONS EQUIPMENT AND SERVICES- 14% AAGR
- OFFICE EQUIPMENT - - - - - - - - - - - - - - 18% AAGR

HOW TO DEAL WITH

SMALL ESTABLISHMENTS

VERSUS

LARGE COMPANIES

FOR PROSPECTING

AND

RESEARCH

DEFINITION

- A SMALL BUSINESS (ESTABLISHMENT) HAS LESS THAN 500 EMPLOYEES
  - INDEPENDENT ENTERPRISE
  - BRANCH OF LARGER COMPANY
- SMALL BUSINESS (ESTABLISHMENTS)
  - 70% OF EMPLOYEES
  - 99% OF ALL ESTABLISHMENTS

AGENDA

- SMALL ESTABLISHMENTS VS. LARGE COMPANIES
  - DIFFERENCES IN THE OPERATION OF INFORMATION PROCESSING EQUIPMENT/SERVICES
  - QUESTIONS TO ASK USERS
  - PLANNING AND CONTROL
  - DECISION MAKERS
  - SOURCES OF ESTABLISHMENT NAMES
  - ANALYZING DATA
  - DRAWING CONCLUSIONS

DIFFERENCES

GOALS OF DECISION MAKER

- SMALL COMPANY
  - MAKE PROFIT
  - MEET PAYROLL
  - PEOPLE SAVINGS (EFFICIENCY, NOT LAY OFFS)
- LARGE COMPANY
  - EXCELLENT TECHNOLOGICAL SYSTEM
  - INCREASE INFORMATION HANDLING EFFICIENCY
  - MEET NEEDS OF CORPORATE OFFICERS
    - NOT TOTALLY UNDERSTOOD

DIFFERENCES
(CONTINUED)

- DECISIONS

- SMALL COMPANY

  - CHIEF EXECUTIVE USUALLY INVOLVED
  - COMMITTEE DECISIONS - NOT SPECIALISTS
  - COST ANALYSIS
    - SUPERFICIAL
    - PEOPLE SAVINGS
  - TEST INSTALLATION
    - SHORT TERM

  CAN MOVE RAPIDLY ONCE DECISION IS MADE

DIFFERENCES
(CONTINUED)

- DECISIONS
- LARGE COMPANY
  - CHIEF EXECUTIVE USUALLY NOT INVOLVED
  - PROFESSIONAL STAFF - SPECIALISTS
    - TOGETHER WITH DEPARTMENT HEADS
  - COST ANALYSIS
    - VERY DETAILED
    - VERY PROFESSIONAL
    - OFTEN EQUIPMENT SAVINGS
  - TEST INSTALLATION
    - VARIOUS MANUFACTURERS EQUIPMENT
    - LONG TERM TEST (6 MONTHS - 12 MONTHS)

DIFFERENCES
(CONTINUED)

- CHOICE OF EQUIPMENT OR SERVICE TO INVESTIGATE
- SMALL COMPANY
  - INVESTIGATE FIRST 3 OR 4 OPTIONS
  - WORD OF MOUTH
  - SALESMEN
  - ADVERTISING
- LARGE COMPANY
  - INVESTIGATE EVERY SOURCE
  - SEND OUT "140" RFQ'S
  - "PROFESSIONAL" SOURCES
    - "DATAPRO"
    - TECHNOLOGICAL TRADE MAGAZINES

DIFFERENCES
(CONTINUED)

- ATTITUDE OF RESPONDENTS TOWARD TECHNOLOGY
- SMALL COMPANY
  - TECHNOLOGY IS A TOOL, NOT AN END GOAL
  - SMART IN BUSINESS, NOT TECHNOLOGY
- LARGE COMPANY
  - TECHNOLOGY IS A GOAL
  - SMART IN TECHNOLOGY, NOT BUSINESS

QUESTIONS TO ASK USERS

- SMALL COMPANY
- BE CAREFUL OF DEFINITIONS, RESPONDENTS ARE NOT "PROFESSIONALS"
  - PRIVATE LINE SERVICE IS HAVING THEIR OWN EXTENSION
  - MANY RESPONDENTS CALL ALL COPIERS XEROX MACHINES
  - COMMUNICATIONS MANAGER MAY BE THE SWITCHBOARD OPERATOR
- CAREFULLY TEST THE QUESTIONNAIRE
- LARGE COMPANY
  - PROFESSIONALS HAVE HEARD OF SERVICES/ EQUIPMENT THEY DO NOT USE
  - SLANG EXPRESSIONS WILL BE COMPENSATED FOR

PLANNING AND CONTROL

- SMALL COMPANY
- PLANS TO NOT EXIST
  - ASKING QUESTIONS SUCH AS "WHAT WILL BE YOUR EXPENDITURES FOR VOICE COMMUNICATIONS SERVICES IN FIVE YEARS," DO NOT WORK
  - THERE ARE NO PERSONNEL CHARGED WITH THIS TYPE OF PLANNING
  - HOWEVER, PEOPLE UNDERSTAND THEIR BASIC NEEDS
    - ASK QUESTIONS IN THAT AREA
- LARGE COMPANIES
  - PROFESSIONAL PLANNERS CAN ANSWER LONG RANGE QUESTIONS
  - HOWEVER, THEIR KNOWLEDGE OF TOP MANAGEMENT ATTITUDES IS LIMITED

PLANNING AND CONTROL
(CONTINUED)

- SMALL COMPANY

- EXPENDITURE QUESTIONS ARE A PROBLEM
  - THEY DO NOT ALWAYS KNOW
    - CHECK WITH INSTALLED EQUIPMENT
  - THEY ARE NOT USED TO GIVING THE INFORMATION OUT
    - ARE SUSPICIOUS
    - USE RANGES
  - BUDGETING IS OFTEN BY "RULE OF THUMB"
    - TREND QUESTIONS CAN BE ANSWERED

- LARGE COMPANIES
  - FAMILIAR WITH THE DATA
    - MANAGERS PLAN/BUDGET FOR THEIR JOB
  - USED TO BEING INTERVIEWED, WILL BE MORE COOPERATIVE
  - CAN GIVE FUTURE EXPENDITURE PLANS

DECISION MAKERS

- WHO TO TALK WITH
- SMALL COMPANY
  - CHIEF EXECUTIVE
    - POSSIBLE, BUT HARD TO REACH
  - CONTROLLER
    - GOOD, KNOWS ALL AREAS
  - OFFICE MANAGER/BUSINESS MANAGER
    - GOOD, DEPENDING UPON SECTOR
    - SUSPICIOUS
  - EDP HEAD (IF EXISTS)
    - GOOD
    - TENDS TO KNOW OTHER AREAS
  - COMMUNICATIONS MANAGER
    - DOES NOT EXIST
- LARGE COMPANY
  - PROFESSIONAL STAFF MANAGERS
    - EDP
    - COMMUNICATIONS
    - OFFICE
  - USERS OF SERVICES
  - VP OF INFORMATION PROCESSING

DECISIONS MAKERS
(CONTINUED)

- ATTITUDE OF INTERVIEWEE
- SMALL COMPANY
  - NOT USED TO BEING INTERVIEWED
    - SUSPICIOUS
  - POOR KNOWLEDGE OF COST AND BUDGETS
    - GOOD KNOWLEDGE OF SENIOR MANAGEMENT ATTITUDES
  - OFTEN DOES NOT WANT TO SPEND TIME
    - HAS MANY JOBS TO DO
  - NOT "PROFESSIONAL"
- LARGE COMPANY
  - USED TO BEING INTERVIEWED
  - KNOWS COST AND BUDGETS WELL
    - LITTLE CONTACT WITH TOP MANAGEMENT
  - GENERALLY WANTS TO TALK
    - INTERESTED IN THE DISCUSSION
    - HAS TIME
  - VERY "PROFESSIONAL"

DECISION MAKERS
(CONTINUED)

- FINDING THE INTERVIEWEE
- SMALL COMPANY
  - FORMAL TITLES ARE NON-EXISTENT
  - ASK FOR THE PERSON "WHO IS BEST TO TALK TO ABOUT"
  - RECEPTIONIST/SECRETARY MAY BE A PROBLEM
  - EXPECT 15% TO 35% REFUSALS
- LARGE COMPANY
  - CAN ASK FOR INTERVIEWEE BY TITLE
  - SWITCHBOARD OPERATOR/SECRETARY TO TOP EXECUTIVE USUALLY IS HELPFUL
  - EXPECT 5% TO 10% REFUSALS

SOURCES OF ESTABLISHMENT NAMES

- DEMOGRAPHICS OF ESTABLISHMENTS
- ESTABLISHMENTS BY SIZE

- 1 - 19	4,000,000
- 20 - 99	375,000
- 100 - 499	75,000

- BRANCHES OF FORTUNE 500/50 COMPANIES
  - AVERAGE HAS 200 BRANCHES
  - 165,000 BRANCHES

SOURCES OF ESTABLISHMENT NAMES
(CONTINUED)

- SOURCES OF NAMES
  - DUN & BRADSTREET FILES
  - YELLOW PAGES
  - POLK'S REGISTER OF BANKS
  - THOMAS' REGISTER OF MANUFACTURERS
  - NATIONAL REGISTER DIRECTORY OF CORPORATE AFFILIATIONS (BRANCHES)
  - ELECTRONIC NEWS DIRECTORY OF EQUIPMENT MANUFACTURERS
  - 1970 CENSUS FOR SMALL CITIES

- SORTING BY EMPLOYEE SIZE
  - HARD TO FIND SOURCES SORTED BY SIZE
  - ASK INTERVIEWEE HIS SIZE, THEN SORT RETURNS
  - DUN & BRADSTREET HAS DATA BUT GAPS IN:
    - BRANCHES
    - GOVERNMENT
    - SOME SECTORS

SOURCES OF ESTABLISHMENT NAMES (CONTINUED)

- BRANCHES OF LARGE COMPANIES
  - HARD TO FIND
  - D&B FAMILY TREE
  - LIST IN 10K STATEMENTS
  - COMPANY BROCHURES
  - NATIONAL REGISTER DIRECTORY OF CORPORATE AFFILIATIONS
  - YELLOW PAGES FOR WELL KNOWN FIRMS
  - SORT OUT BRANCHES OR INDEPENDENTS AFTER INTERVIEW
  - MAIN PROBLEM IS IN SMALLER MULTIPLE UNIT ESTABLISHMENTS
- BRANCHES MUST BE INTERVIEWED SEPARATELY
  - DECISION PROCESS IS DIFFERENT
  - NEED FOR COMMUNICATIONS EQUIPMENT AND SERVICES IS DIFFERENT
- BRANCHES MUST BE ANALYZED BY THE INDUSTRY SECTOR OF THE BRANCH, NOT THE PARENT

ANALYZING THE DATA

- RELIABILITY OF THE DATA
- ACCURACY OF NUMERIC DATA IS POORER THAN IN LARGE COMPANIES
  - RESPONDENTS DO NOT "TRACK" DATA
  - LITTLE FORMAL BUDGETING
  - LESS FORMAL PLANNING
- GOOD UNDERSTANDING OF THEIR OWN NEEDS
- GOOD UNDERSTANDING OF TOP MANAGEMENT DESIRES
- POSSIBILITY OF ERRORS IN INSTALLED EQUIPMENT AND SERVICES

ANALYZING THE DATA
(CONTINUED)

- EXPECT LARGER RANGES OF ANSWERS
  - RANGE OF AUTOMATION OF INFORMATION PROCESSING VARIES
    - COMPUTERS
    - ON PREMISES SWITCHING EQUIPMENT
  - SMALLER COMPANIES HAVE LESS AVERAGING EFFECTS THAN A LARGE COMPANY DOES
  - VARIATIONS IN BUSINESS OPERATIONS ARE GREAT

ANALYZING THE DATA
(CONTINUED)

- MORE GAPS IN INFORMATION
  - RESPONDENTS ARE NOT "PROFESSIONALS"
    - MANY RECORDS ARE NOT KEPT
  - PLANS AND FORMAL BUDGETS OFTEN ARE NOT PREPARED
    - ESPECIALLY FUTURE EXPENDITURES
  - MANY QUESTIONS HAVE NOT BEEN THOUGHT THROUGH

DRAWING CONCLUSIONS

- SMALL BUSINESSES DO NOT FOLLOW TECHNOLOGY
  - FUTURE PLANS WILL CHANGE WHEN NEW EQUIPMENT/SERVICES BECOME AVAILABLE
  - DECISIONS HAVE BEEN MADE WITHOUT CONSIDERING ALL OPTIONS
  - IF EDUCATED BY VENDORS A DIFFERENT COURSE OF ACTION CAN OCCUR
- THUS LOOK FOR BASIC NEEDS AND EXPECT THAT COURSES OF ACTION OR SPECIFIC SOLUTIONS CAN CHANGE
- WHEN DRAWING CONCLUSIONS CONSIDER WHAT CAN HAPPEN DUE TO TECHNOLOGY CHANGES

DRAWING CONCLUSIONS
(CONTINUED)

- SEMI-CONSUMER APPROACH TO DECISIONS
  - MADE WITHOUT THOROUGH INVESTIGATION
  - DECISION PROCESS IS SEMI-EMOTIONAL
    - ATTITUDES TOWARDS VENDORS ARE KEY
  - HAVE OPINIONS ABOUT VENDORS
  - KEY MAN IS CEO
    - IT IS HIS MONEY
- INSURE THAT ATTITUDES ARE SURVEYED
  - CORRECT OR NOT, THEY WILL BE FOLLOWED
- BE CAREFUL OF CHANGES IN OPINIONS

DRAWING CONCLUSIONS
(CONTINUED)

- LOOK FOR BASIC NEEDS, SUCH AS:
  - INFORMATION IS NOT ARRIVING FAST ENOUGH
  - INVENTORIES ARE NOT UNDER CONTROL
  - SALESMEN CAN NOT BE REACHED EASILY
  - ORDERS ARE NOT ENTERED CORRECTLY
  - OFFICE COSTS ARE TOO HIGH
- BASIC NEEDS ARE CONSTANT AND WILL BE MET EVENTUALLY

KEY EVENTS 1979

- OVERVIEW
- DISTRIBUTION CHANNEL DEVELOPMENTS
- PRODUCTOFFERING DEVELOPMENTS

KEY EVENTS 1979

OVERVIEW

- THE SMALL ESTABLISHMENT MARKET IS BEING TREATED WITH GREATER INTEREST BY VENDORS
- BOTH LARGE ESTABLISHED VENDORS AND NEW ENTRANTS
- NEW OFFERINGS DESIGNED FOR SMALL ESTABLISHMENT
- DISTRIBUTION IS THE KEY

DISTRIBUTION CHANNEL DEVELOPMENTS

- ELECTRONIC COMPONENT DISTRIBUTORS SUCH AS AVNET ARE TAKING ON PERIPHERALS AND CPU'S
  - CONFUSED AS TO HOW TO SELL THEM
  - WILL SELL TO SYSTEM HOUSES AND OTHER OEM'S
  - EXPERIENCED WITH PURCHASING AGENTS IN TECHNOLOGY BASED COMPANIES BUT NOT WITH DP MANAGERS
    - MAY TRY TO GET INVOLVED IN LARGE QUANTITY SALES OF S.B. SYSTEMS
    - HAVE NO RELATIONSHIPS IN OTHER COMPANIES
    - HAVE NO END USER EXPERIENCE
- ELECTRONIC COMPONENT DISTRIBUTORS SHOULD BE WATCHED AS A POSSIBLE CHANNEL

DISTRIBUTION CHANNEL DEVELOPMENTS (CONTINUED)

- NEC WILL SELL THROUGH DEALER NETWORKS A SERIES OF DDP SYSTEMS TO RANGE FROM \$13,000 TO \$130,000 IN PRICE
- MOORE BUSINESS FORMS WILL SELL TEXAS INSTRUMENTS' COMPUTERS THROUGH A NEW SUBSIDIARY
  - WILL DEVELOP PACKAGES FOR 8-10 INDUSTRIES IN THE FIRST YEAR
  - MINIMUM CONFIGURATION \$5,000
- DEC IS CONTINUING TO OPEN STORES
  - SELL SYSTEMS WITH PACKAGED SOFTWARE ONLY
  - NO MODIFICATIONS
  - SMALL BUSINESS SYSTEM \$11,500
  - WORD PROCESSING SYSTEM \$12,500

DISTRIBUTION CHANNEL DEVELOPMENTS (CONTINUED)

- IBM BECAME MORE AGGRESSIVE IN REACHING FIRST TIME USERS WITH SEMINARS
  - LARGE NEWSPAPER ADVERTISEMENTS
  - RADIO ADVERTISEMENTS
- PRIME ENTERED THE DEALER MARKETPLACE USING MICRODATA DEALERS
  - PRIME ACQUIRED REALITY COMPATIBLE SOFTWARE
  - HALF OF THE DEALERS SIGNED SELL BOTH PRIME AND MICRODATA LINES
  - PRIME IS OFFERING SYSTEMS BELOW $50,000 TO REACH SMALL BUSINESSES

DISTRIBUTION CHANNELS DEVELOPMENTS
(CONTINUED)

- APPLE COMPUTER IS OFFERING SPECIAL SYSTEMS FOR USERS SUCH AS:
  - SCIENTISTS
  - STUDENTS
  - BUSINESS MANAGERS

  DEMONSTRATING AN UPGRADING FROM THE HOBBY MARKET

- IBM OFFERED OEM PRICING DISCOUNTS ON THE SERIES I
  - 5% TO 15%
  - NEW PRACTICE FOR IBM

- BYTE INDUSTRIES OPENED NEW WHOLESALE DIVISION TO SELL TO ALL RETAILERS NOT JUST BYTE SHOPS

- A.B. DICK OWNED BY G.E. LTD. WILL MARKET S.B.C. IN THE $12,000 RANGE
  - WILL BE SOLD THROUGH A.B. DICK'S 68 BRANCHES
    - 110 INDEPENDENT DISTRIBUTORS AND 400 INDEPENDENT DEALERS
  - APPLICATIONS SOFTWARE WILL BE AVAILABLE
  - A MAJOR OFFICE SUPPLIER ADDING A COMPUTER LINE

DISTRIBUTION CHANNEL DEVELOPMENTS (CONTINUED)

- DEC USES AN AUTHORIZED DISTRIBUTOR PROGRAM
  - HIGHLY QUALIFIED DEALERS RECEIVE SPECIAL ASSISTANCE
  - MUST BE VALUE ADDED DEALERS
- EDS HAS NEWLY ENTERED THE SMALL BUSINESS COMPUTER MARKET
  - INOVISION CORPORATION (SUBSIDIARY) WILL DISTRIBUTE ELECTRONIC PRODUCTS BY MAIL ORDER CATALOG
    - COMPUTERS
    - SOFTWARE
    - CALCULATORS
  - VIDEO SYSTEMS DIVISION WILL MARKET VIDEO CASSETTES
    - INITIALLY COMPUTER TRAINING, PROGRAMMING ETC.
  - BUSINESS SYSTEMS DIVISION WILL OPEN STORES
    - SELL COMPLETE SYSTEMS

COMPUTER EQUIPMENT AREA

- MANY NEW ENTRANTS AND CHANGES IN THE DISTRIBUTION CHANNELS USED
- NEW EQUIPMENT OFFERED
  - EVOLUTIONARY
  - SMALL FOR SMALL BUSINESSES
  - DDP ORIENTED FOR BRANCHES

NEW OFFERINGS OF COMPUTER EQUIPMENT

- NEW NAMES
  - HEATH
  - TANDY
  - CROMEMCO
- COMPATIBILITY WITH EXISTING SOFTWARE
- LOW PRICES FROM NEW NAMES
- HIGHER PRICES FROM ESTABLISHED NAMES
  - BURROUGHS
  - DATA GENERAL
- LOW COST PERIPHERALS
  - TO CONSTRUCT A SYSTEM
- THE SMALL ESTABLISHMENT IS OBVIOUSLY THE GOAL

NEW OFFERINGS OF COMPUTER EQUIPMENT
(CONTINUED)

- TANDY
  - RADIO SHACK TRS 80-II, $4,500 TO $9,000
- TEXAS INSTRUMENTS
  - PERSONAL COMPUTER 99/4 AT $1,150 (INCLUDING CRT DISPLAY, BEFORE FCC DECISION)
  - DS 990 LINE, $9,500 AND $13,000
  - MODEL 20 AT $65,000 AND MODEL 30 AT $77,000
- HEATH
  - FOR $11,000 COMPATIBLE WITH DEC SOFTWARE TO BE SOLD BY HEATH DATA SYSTEMS
  - 49 STORES PLUS DISTRIBUTORS
  - HEATH WAS SOLD TO ZENITH BY SCHLUMBERGER
- MICRODATA
  - THREE NEW SYSTEMS BETWEEN THEIR VANTAGE SYSTEMS ($32,000) AND THEIR ROYAL SYSTEM ($61,000)

NEW OFFERINGS OF COMPUTER EQUIPMENT (CONTINUED)

- DATA GENERAL
  - CS/30 AT \$21,000 TO \$49,000
- BURROUGHS
  - 3 MODELS IN B1800 SERIES FROM \$60,000 TO \$133,000 FOR TYPICAL SYSTEMS
- CROMEMCO
  - A MULTI USER SYSTEM PRICED FROM \$5,000 TO \$10,000
- GENERAL ROBOTICS
  - \$9,000 TO \$30,000 AND IS DEC RT-11 COMPATIBLE

NEW OFFERINGS OF COMPUTER EQUIPMENT
(CONTINUED)

- PERIPHERALS
- ROTATING MEMORY
  - $500 FLOPPY DISC
  - $1,500 WINCHESTERS, 5-20 MEGABYTE UNDER DEVELOPMENT
- $1,000 MATRIX PRINTERS FROM CENTRONICS
- DATAROYAL, INC. ANNOUNCED ITS IPS-5000 SERIES OF UNDER $1,000 MATRIX PRINTERS

TIMESHARING SERVICES

- OFFERED FOR PERSONAL COMPUTER USERS BY TWO VENDORS
  - TELECOMPUTING CORPORATION OF AMERICA
    - LOW FEES
    - 2000 DATA BASES INCLUDING UPI NEWS, DARTMOUTH LIBRARY, NEW YORK TIMES, CONSUMER DATA BANK
    - BILLING THROUGH COMMON CREDIT CARDS
  - COMPUSERVE PERSONAL COMPUTER DIVISION
    - $9,000 ONE TIME HOOK UP FEE
    - $5.00 PER HOUR
    - OFF PEAK HOURS

COMMUNICATIONS

- UNITED STATES POSTAL SERVICE ANNOUNCED PLANS TO EXPERIMENT WITH ELECTRONIC MAIL
  - A ONE WAY ELECTRONIC SYSTEM
  - OPPOSED BY CARRIERS, FCC
- GTE ACQUIRED UNITED STATES RIGHTS TO VIEWDATA
  - TELEPHONE LINES AND T.V. SETS FOR ACCESS TO DATA BASES
  - CARRIERS, CABLE T.V., T.V. BROADCASTERS, ALL INTERESTED
- AT&T HORIZON TELEPHONE EQUIPMENT FOR 20-80 TELEPHONES
  - INCLUDING PBX TYPE FEATURES

HIGHLIGHT RESULTS OF USER RESEARCH

DECEMBER 1979

-PRN

INPUT

SOME HIGHLIGHT RESULTS OF USER RESEARCH (AGENDA)

- INDUSTRIES ANALYZED
- SELLING A COMPUTER
  - USER PLANS FOR CHANGE
  - METHODS OF OBTAINING COMPUTER PROGRAMS
  - SOURCE OF COMPUTER POWER
    - EQUIPMENT VS. SERVICES
    - BRANCHES VS. INDEPENDENTS
- COMMUNICATIONS
  - SERVICES USAGE
  - EQUIPMENT USAGE
- IN THE OFFICE AREA
  - TEXT EDITING
  - COPIERS

INDUSTRIES ANALYZED

- MANUFACTURING, DISCRETE
  - ELECTRICAL AND ELECTRONIC EQUIPMENT
- MANUFACTURING, PROCESS
  - FOOD AND KINDRED PRODUCTS
- TRANSPORTATION
  - FREIGHT FORWARDERS
- WHOLESALE
  - NON-DURABLE GOODS
- RETAIL
  - FURNITURE, HOMEFURNISHING AND EQUIPMENT STORES
- BANKING
  - SAVINGS AND LOAN ASSOCIATIONS
- INSURANCE
  - AGENTS AND BROKERS
- UTILITIES
  - RADIO AND TELEVISION BROADCASTING

INDUSTRIES ANALYZED
(CONTINUED)

- BUSINESS SERVICES
  - ADVERTISING
- MEDICAL
  - OFFICES OF PHYSICIANS
- GOVERNMENT
  - MUNICIPAL GOVERNMENT
- EDUCATION
  - SCHOOL DISTRICTS

SELLING THE COMPUTER
(SUMMARY)

- THE MAJORITY OF CHANGE IN INSTALLATIONS CONSISTS OF:
  - MODIFYING EXISTING COMPUTER SYSTEMS
  - REPLACING THE COMPUTER
- 75% OF 100 TO 499 EMPLOYEE SIZE ESTABLISHMENTS EXPECT A CHANGE
- VERY FEW ESTABLISHMENTS ARE PLANNING TO REPLACE A COMPUTER WITH COMPUTER SERVICES
- LESS THAN HALF OF 1-19 EMPLOYEE SIZE ESTABLISHMENTS USE STANDARD PROGRAMS
  - ONLY 25% OF LARGER ESTABLISHMENTS
- SOFTWARE HOUSES PLAY A SIGNIFICANT ROLE IN WRITING PROGRAMS
  - VENDORS MUST FIND A WAY FOR USERS TO OBTAIN APPLICATION PROGRAMS
  - AT 75-100 EMPLOYEES INDUSTRY SPECIALIZED PROGRAMS ARE NEEDED
- KEY FACTORS IN CHOOSING COMPUTERS
  - VENDOR REPUTATION
  - COMPATIBILITY WITH LARGER SYSTEMS
  - AVAILABLE SOFTWARE IS SOMEWHAT LESS IMPORTANT
    - USERS ARE FINDING WAYS TO OBTAIN PROGRAMS

PLANS TO CHANGE OR MODIFY THE COMPUTER SYSTEM

RESPONDENTS WITH COMPUTERS INSTALLED

ESTABLISHMENT SIZE BY EMPLOYEES
(INDEPENDENTS)

	100 TO 499	20 TO 99	1 TO 19
NO CHANGE	23%	33%	40%
ADD A COMPUTER	2%	5%	0
MODIFY PRESENT COMPUTER	50%	36%	40%
REPLACE PRESENT COMPUTER WITH NEW COMPUTER	25%	24%	20%
REPLACE PRESENT COMPUTER WITH COMPUTER SERVICE	4%	2%	0

(95 RESPONDENTS)

*MAY BE GREATER THAN 100% DUE TO MULTIPLE RESPONSES.

SIGNIFICANCE OF PLANS TO CHANGE OR MODIFY THE COMPUTER SYSTEM

- UPGRADING OF THE COMPUTER SYSTEM IS A MAJOR OPPORTUNITY FOR COMPANIES WITH A SIGNIFICANT EQUIPMENT BASE
- REPLACEMENT OF AN EXISTING COMPUTER IS THE KEY OPPORTUNITY FOR MOST VENDORS
- THE PATTERN IS SIMILAR FOR ALL INDUSTRIES

METHODS OF OBTAINING COMPUTER PROGRAMS

ESTABLISHMENT SIZE BY EMPLOYEES (INDEPENDENTS)

	100 TO 499	20 TO 99	1 TO 19
USE STANDARD PROGRAMS	25%	29%	40%
MODIFY STANDARD PROGRAMS	17%	24%	10%
WRITTEN BY A SOFTWARE HOUSE	21%	16%	30%
WRITE THEIR OWN	47%	37%	20%

(112 RESPONDENTS)

*MAY BE GREATER THAN 100% DUE TO MULTIPLE USAGE

SIGNIFICANCE OF METHODS OF OBTAINING COMPUTER PROGRAMS

- STANDARD PROGRAMS ARE USED BY A SIGNIFICANT PORTION OF THE MARKET
  - BUT NOT THE MAJORITY OF THE MARKET
- VENDORS SHOULD HELP USERS
  - MODIFY OR WRITE PROGRAMS
  - FIND A SOFTWARE HOUSE

IMPORTANCE OF FACTORS IN CHOOSING COMPUTERS - INDEPENDENTS

ESTABLISHMENT SIZE BY EMPLOYEES	100 TO 499	20 TO 99	1 TO 19
SUPPORT	1.9	2.1	2.3
AVAILABLE SOFTWARE	1.6	1.9	2.3
DELIVERY SCHEDULE	2.1	2.1	2.5
VENDOR REPUTATION	2.4	2.3	2.5
AVAILABLE HARDWARE	2.2	2.1	1.9
COMPATIBILITY WITH LARGER SYSTEMS	2.4	2.3	1.8

RATINGS: VERY IMPORTANT = 3
SOMEWHAT IMPORTANT = 2
SLIGHTLY IMPORTANT = 1
UNIMPORTANT = 0

SIGNIFICANCE OF IMPORTANCE OF FACTORS IN CHOOSING COMPUTERS

- VENDOR REPUTATION IS CONSISTENTLY THE MOST IMPORTANT FACTOR
  - THUS INSTITUTIONAL ADVERTISING, SEMINARS AND SHOWCASE INSTALLATIONS ARE KEY
- THE LARGER ESTABLISHMENTS WANT COMPATIBILITY WITH LARGER SYSTEMS AND AVAILABLE HARDWARE:
  - THUS A PRODUCT LINE IS IMPORTANT
- THE SMALLER ESTABLISHMENTS WANT HELP IN INSTALLING AND USING THE COMPUTER
  - SOFTWARE AND SUPPORT IS KEY

PRESENT TERMS OF ACQUIRING COMPUTER EQUIPMENT

ESTABLISHMENT SIZE BY EMPLOYEES
(INDEPENDENTS)

	100 TO 499	20 TO 99	1 TO 99
RENT	4%	5%	26%
LEASE	44%	43%	32%
PURCHASE	60%	62%	47%

(108 RESPONDENTS)

* TOTALS MAY BE GREATER THAN 100% DUE TO USE OF MULTIPLE TERMS

SOURCE OF COMPUTER POWER
(SUMMARY)

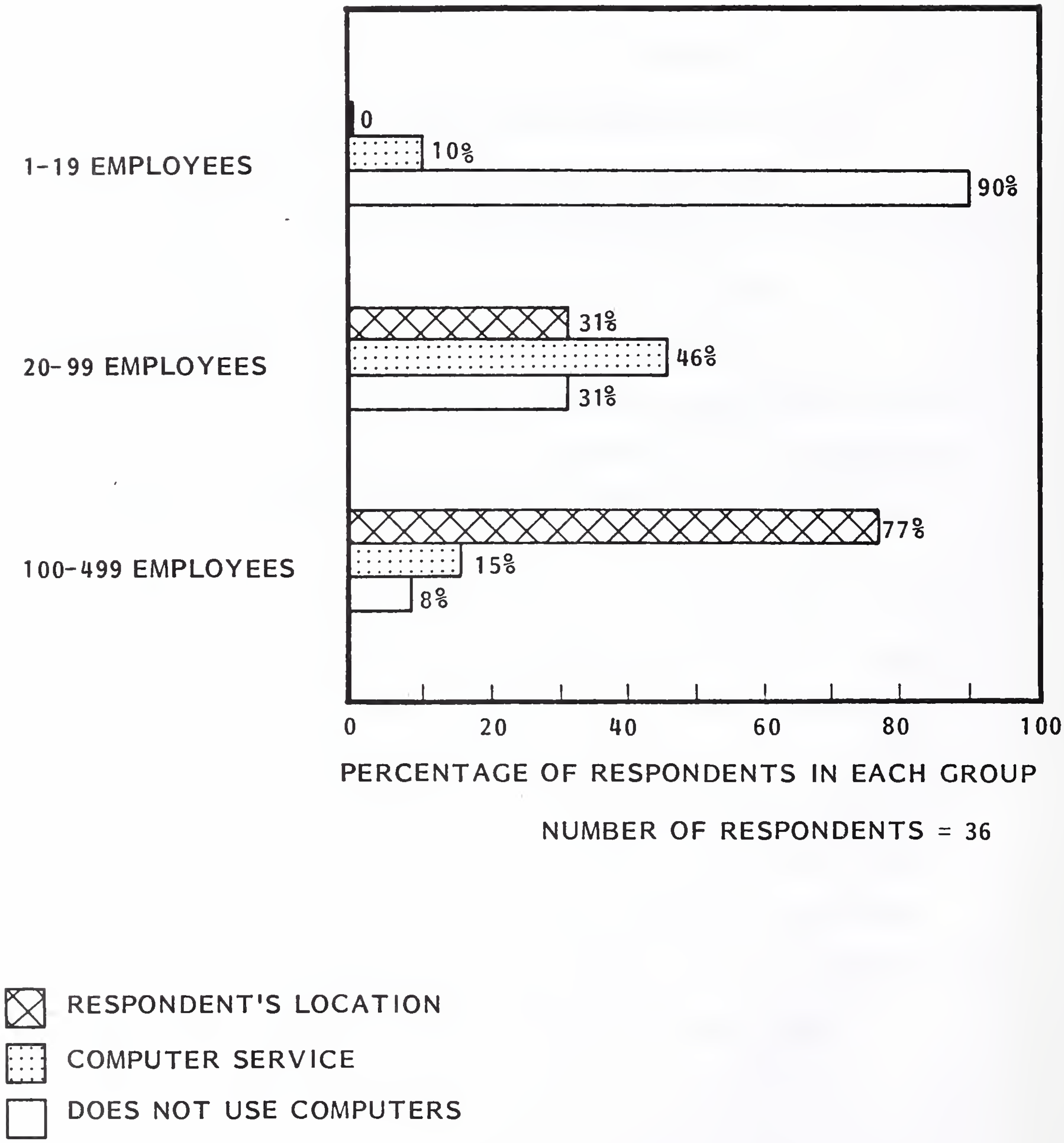
- CHOICE EXISTS
  - HAVE A COMPUTER ON PREMISES
  - COMPUTER SERVICES FROM CORPORATE HEADQUARTERS
  - COMPUTER SERVICES FROM AN EXTERNAL VENDOR
- BY SIZE
  - 100 TO 499 EMPLOYEES, ALL SECTORS, IN BOTH BRANCHES AND INDEPENDENTS THE GREATEST MAJORITY HAVE A COMPUTER ON PREMISES
  - 20 TO 99 EMPLOYEES IN INDEPENDENTS ABOUT HALF OF THE TIME OWN A COMPUTER, ABOUT HALF OF THE TIME USE OUTSIDE SERVICES
  - 20 TO 99 EMPLOYEES IN BRANCHES ABOUT ONE THIRD OF THE TIME OWN A COMPUTER, ABOUT HALF OF THE TIME THE CORPORATION HEAD-QUARTERS PROCESS DATA, ABOUT TEN PERCENT OF THE TIME USE OUTSIDE SERVICES

SOURCE OF COMPUTER POWER
(SUMMARY)
(CONTINUED)

- 1 TO 19 EMPLOYEES MORE VARIABLE BY SECTOR. INDEPENDENTS USE COMPUTERS AND COMPUTER SERVICES TEN TO FIFTY PERCENT OF THE TIME. BRANCHES MORE THAN HALF OF THE TIME HAVE CORPORATE HEADQUARTERS PROCESS DATA.

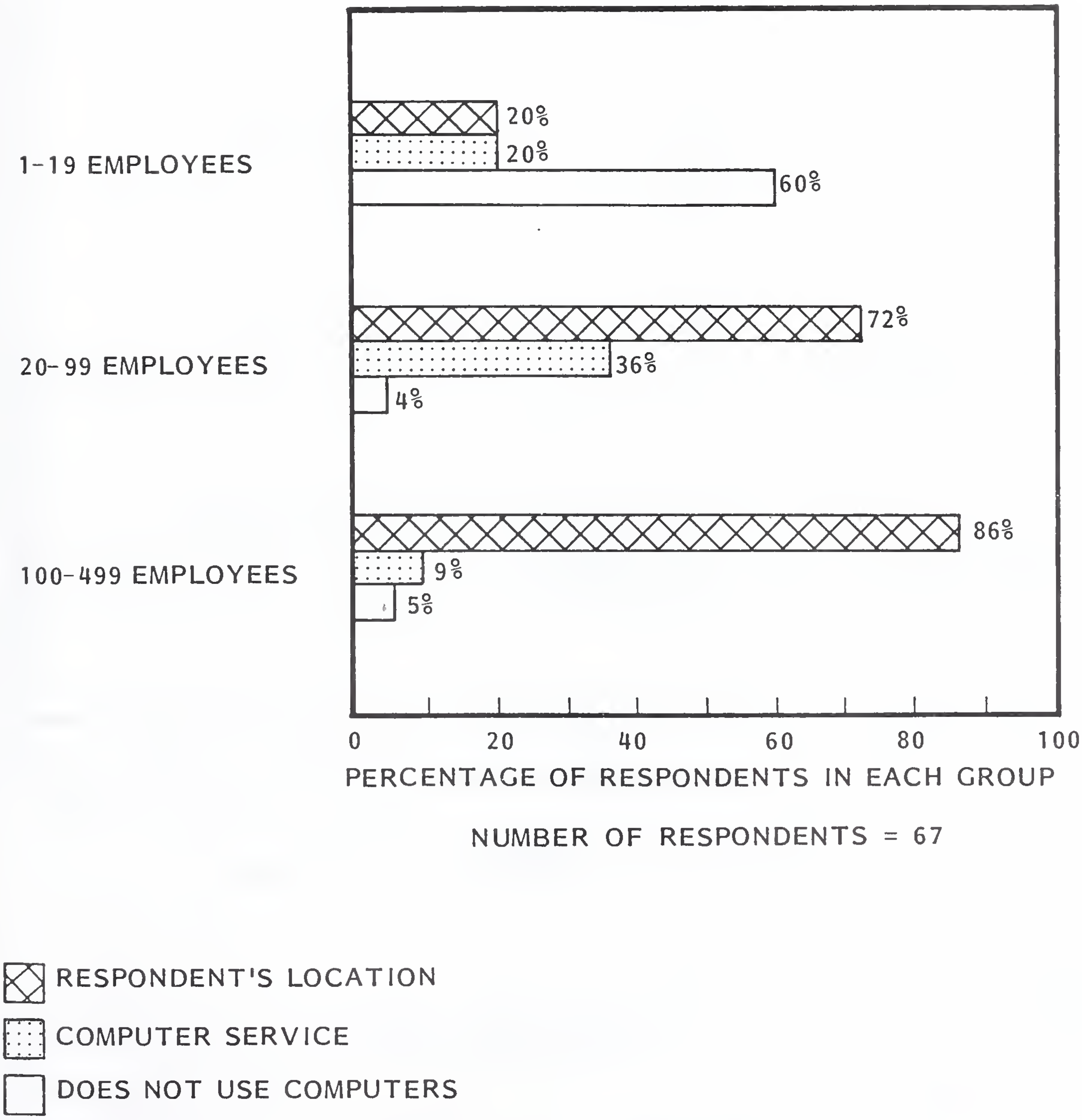
• FUTURE PLANS DO NOT EXPECT DRASTIC CHANGE

MANUFACTURING GROUP - LOCATION OF COMPUTERS OR COMPUTER SERVICES USED BY RESPONDENTS - INDEPENDENTS



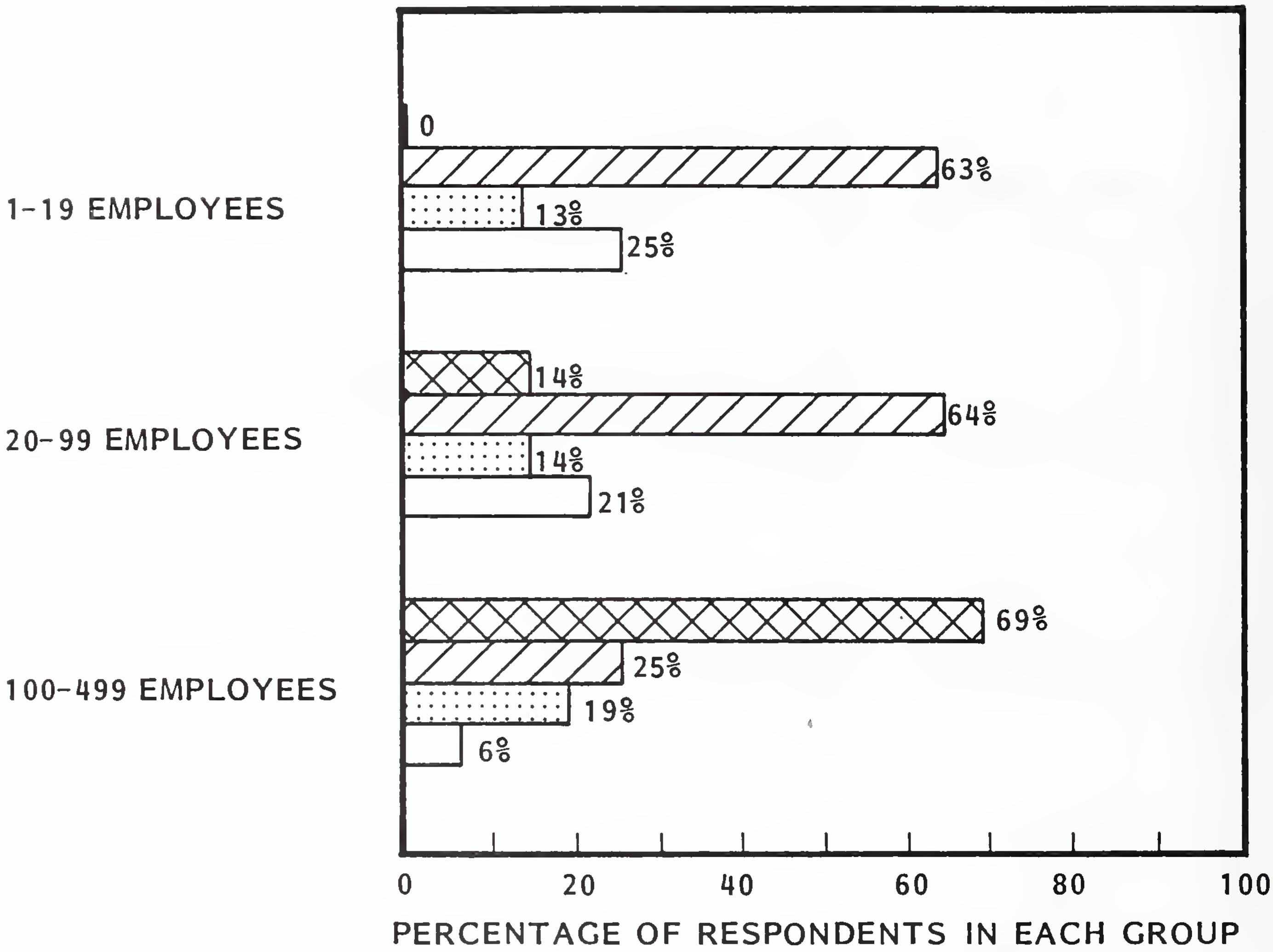
NOTE: TOTALS MAY BE GREATER THAN 100% DUE TO USE OF MULTIPLE TECHNIQUES

DISTRIBUTION GROUP -
LOCATION OF COMPUTERS OR COMPUTER SERVICES
USED BY RESPONDENTS - INDEPENDENTS

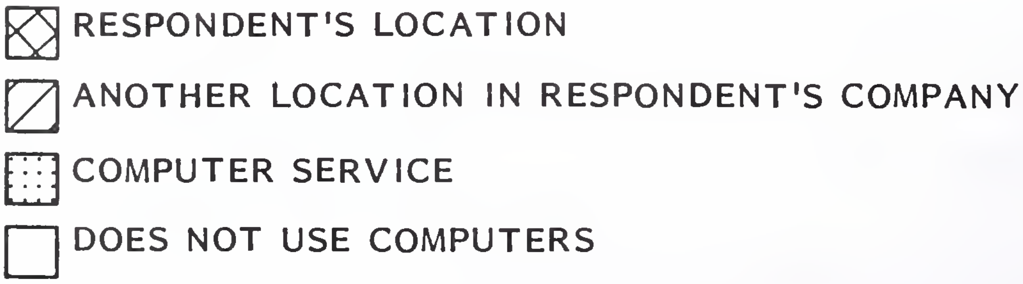


NOTE: TOTALS MAY BE GREATER THAN 100% DUE TO USE OF MULTIPLE TECHNIQUES

MANUFACTURING GROUP - LOCATION OF COMPUTERS OR COMPUTER SERVICES USED BY RESPONDENTS - BRANCHES

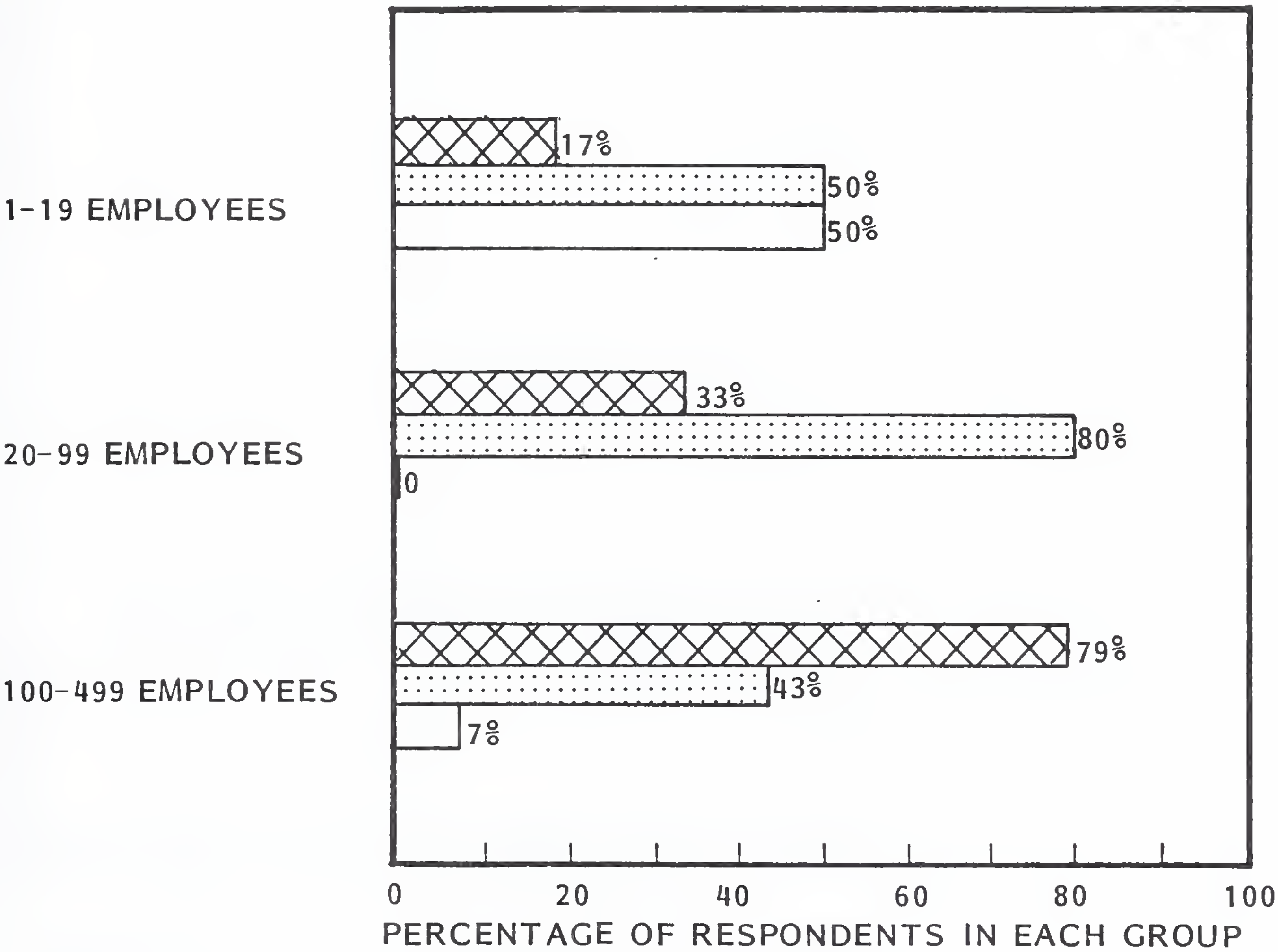


NUMBER OF RESPONDENTS = 38

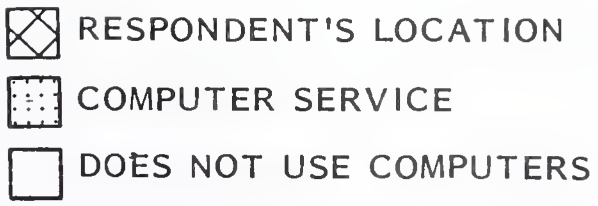


NOTE: TOTALS MAY BE GREATER THAN 100% DUE TO USE OF MULTIPLE TECHNIQUES

FINANCE GROUP - LOCATION OF COMPUTERS OR COMPUTER SERVICES USED BY RESPONDENTS - INDEPENDENTS



NUMBER OF RESPONDENTS = 41

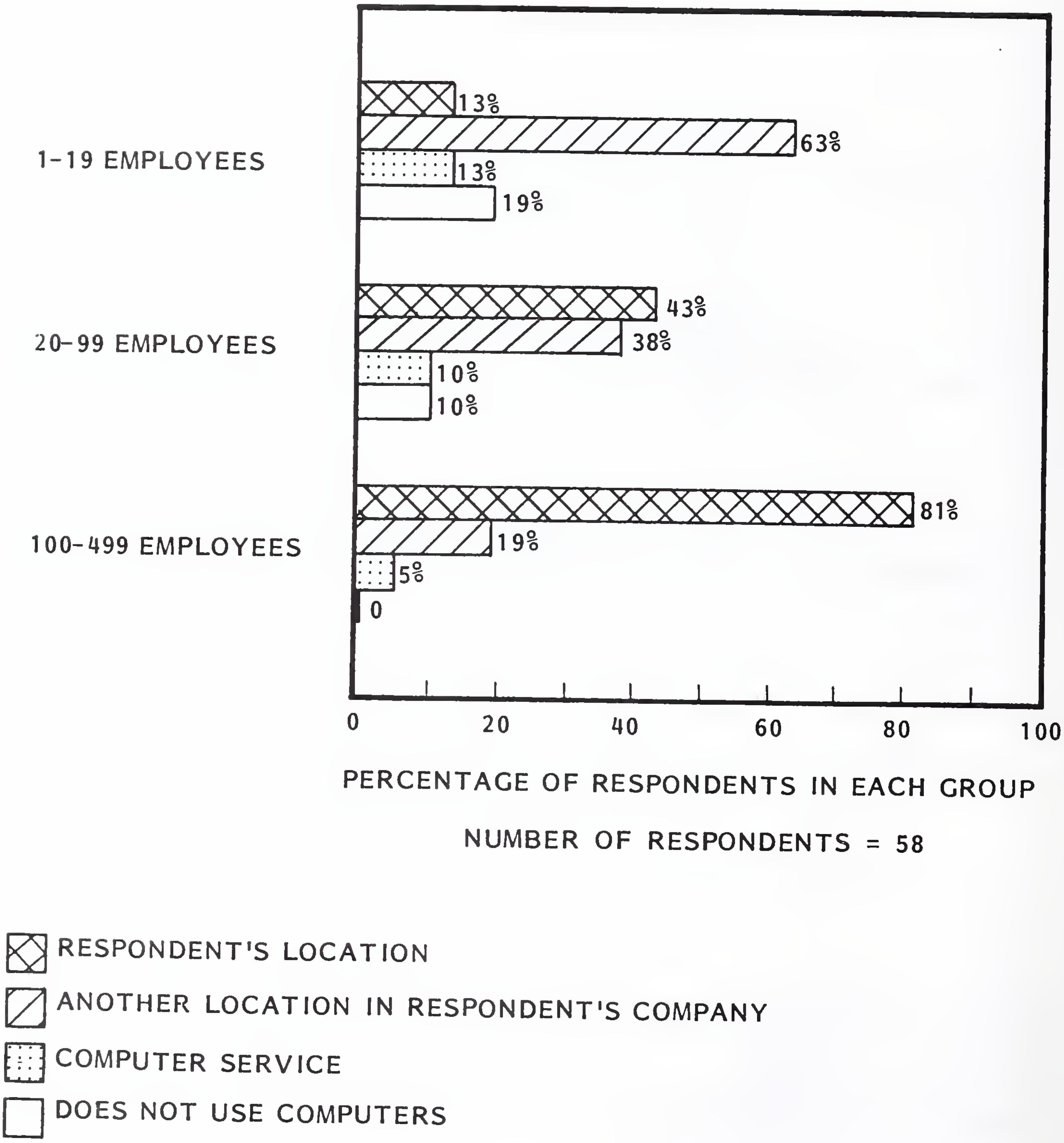


NOTE: TOTALS MAY BE GREATER THAN 100% DUE TO USE OF MULTIPLE TECHNIQUES

DISTRIBUTION GROUP

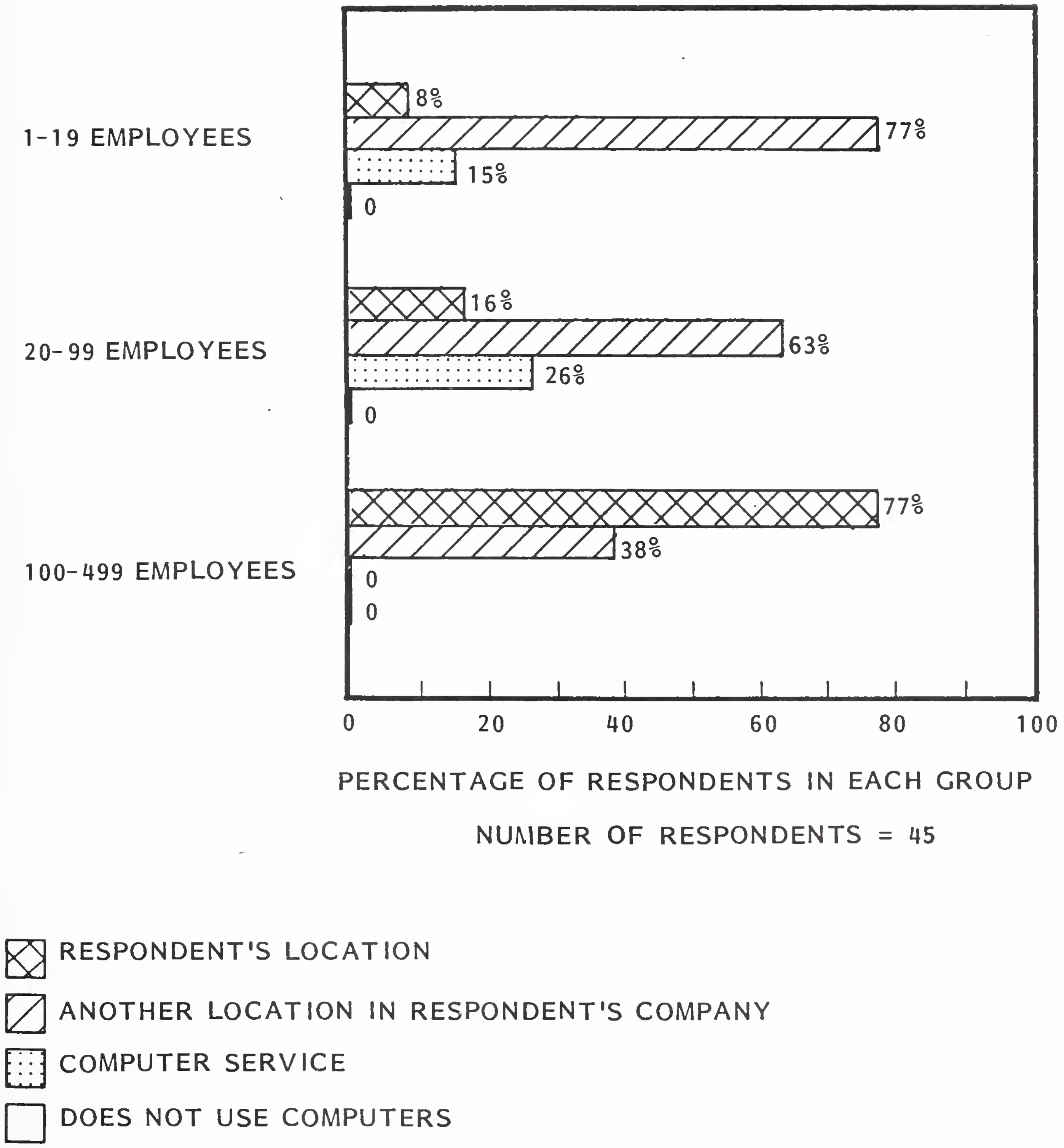
LOCATION OF COMPUTER OR COMPUTER SERVICES

USED BY RESPONDENTS - BRANCHES



NOTE: TOTALS MAY BE GREATER THAN 100% DUE TO USE OF MULTIPLE TECHNIQUES

FINANCE GROUP - LOCATION OF COMPUTERS OR COMPUTER SERVICES USED BY RESPONDENTS - BRANCHES



NOTE: TOTALS MAY BE GREATER THAN 100% DUE TO USE OF MULTIPLE TECHNIQUES

IN THE COMMUNICATIONS AREA
(SUMMARY)

- PHYSICAL DELIVERY (MAIL AND COURIER) IS THE MAIN COMPETITOR TO DATA COMMUNICATIONS
- WATS IS THE KEY COMMUNICATIONS SERVICE FOR BRANCHES OF LARGE COMPANIES, NOT LEASED LINES
  - FOLLOWED BY TELEX/TWX
- USE OF FACSIMILE IS SIGNIFICANT (A FUNCTION OF INDUSTRY) BOTH BRANCHES AND INDEPENDENTS
  - BRANCHES USE FACSIMILE SLIGHTLY MORE
- INTERCONNECT EQUIPMENT IS USED SLIGHTLY MORE IN THE LARGER ESTABLISHMENT
  - SMALL (1-19) ESTABLISHMENTS ARE ALSO USERS

METHODS RESPONDENTS USE TO SEND AND RECEIVE DATA

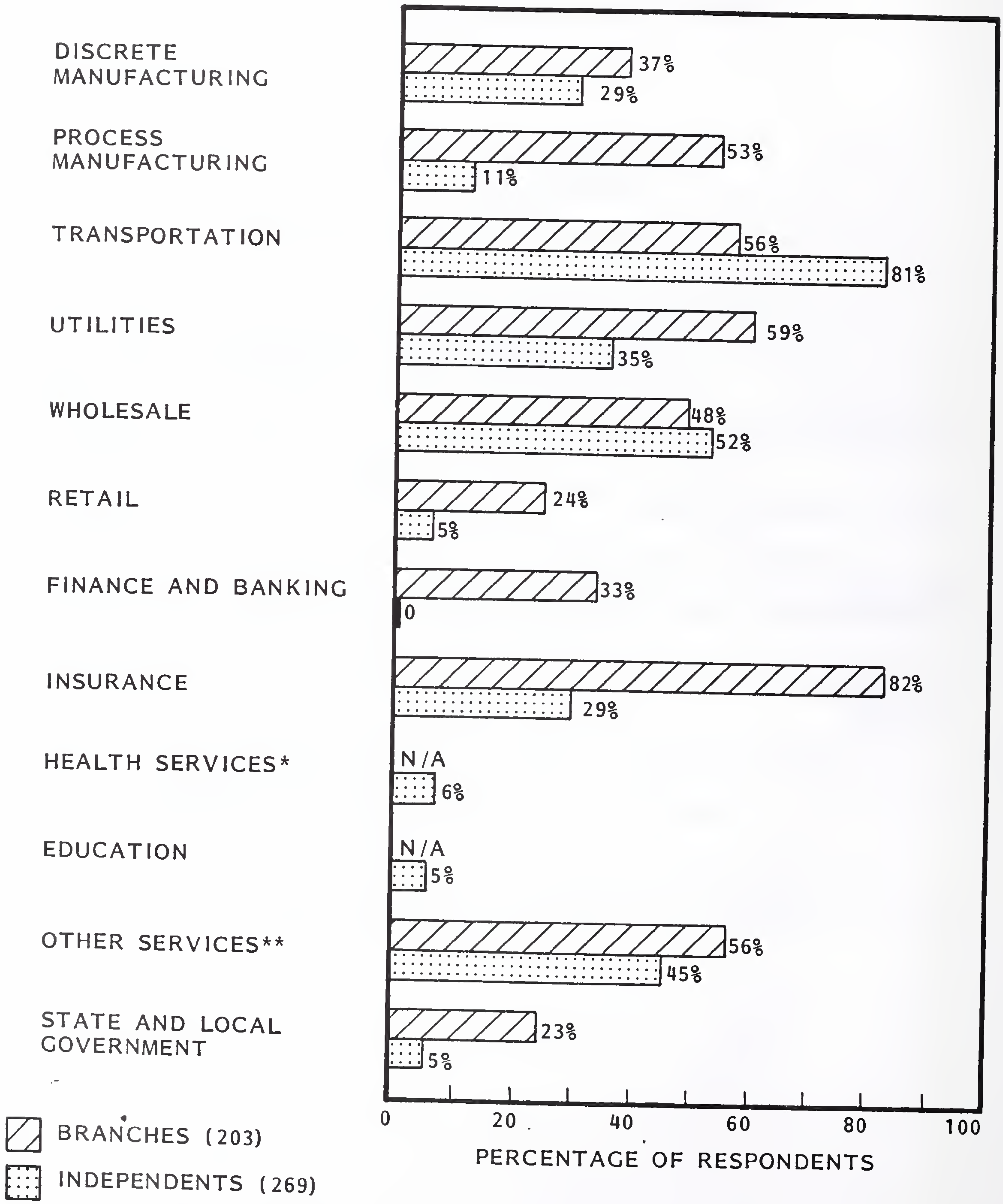
ESTABLISHMENT SIZE BY EMPLOYEES (INDEPENDENTS)

	100 TO 499	20 TO 99	1 TO 19
INTERACTIVE COMMUNICATIONS	15%	27%	38%
BATCH COMMUNICATIONS	30%	11%	8%
PHYSICAL DELIVERY	63%	62%	46%
BY VOICE (PHONE)	4%	11%	15%

(85 RESPONDENTS)

* MAY BE GREATER THAN 100% DUE TO MULTIPLE USAGE

SMALL ESTABLISHMENTS' WATS USAGE BY INDUSTRY



* PHYSICIANS' OFFICES ONLY

** ADVERTISING AGENCIES ONLY

ELECTRICAL AND ELECTRONIC EQUIPMENT SECTOR - COMMUNICATIONS EQUIPMENT AND SERVICES USED BY RESPONDENTS

(PERCENTAGE OF RESPONDENTS)

TYPE OF EQUIPMENT/SERVICE	INDEPENDENT ESTABLISHMENTS	BRANCHES OF LARGE CORPORATIONS
COMMUNICATIONS EQUIPMENT		
KEYSET	76%	47%
PABX	24	53
INTERCONNECT	12	5
FACSIMILE	0	21
COMMUNICATIONS SERVICES		
WIDE-AREA TELEPHONE SERVICE (WATS)	29	37
TELEX/TWX	29	42
LEASED LINES	0	0
NON-TELEPHONE COMPANY SUPPLIED SERVICES	0	0

NUMBER OF RESPONDENTS = 36

ADVERTISING SECTOR - COMMUNICATIONS EQUIPMENT AND SERVICES USED BY RESPONDENTS (PERCENTAGE OF RESPONDENTS)

TYPE OF EQUIPMENT/SERVICE	INDEPENDENT ESTABLISHMENTS	BRANCHES OF LARGE CORPORATIONS
COMMUNICATIONS EQUIPMENT		
KEYSET	50%	50%
PABX	50	50
INTERCONNECT	30	17
FACSIMILE	40	61
COMMUNICATIONS SERVICES		
WIDE-AREA TELEPHONE SERVICE (WATS)	45%	56%
TELEX/TWX	25	28
LEASED LINES	0	17
NON-TELEPHONE COMPANY SUPPLIED SERVICES	0	0

NUMBER OF RESPONDENTS = 38

SOURCES OF TELEPHONE EQUIPMENT
BY EMPLOYEE SIZE

(INDEPENDENTS)

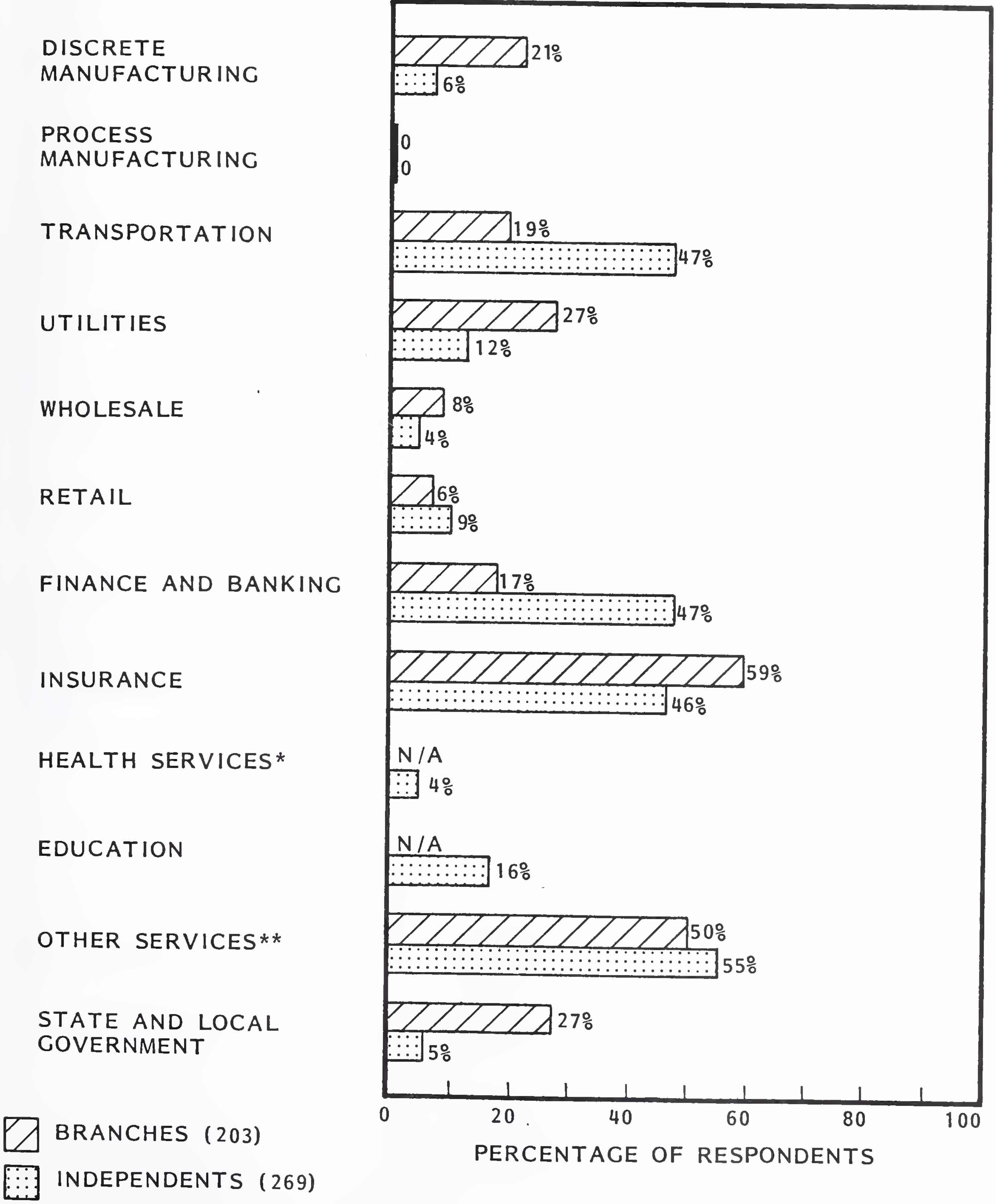
	100 TO 499	20 TO 99	1 TO 19
TELCO'S	85%	87%	93%
INTERCONNECT	15%	13%	8%

(261 RESPONDENTS)

IN THE OFFICE AUTOMATION AREA
(SUMMARY)

- USE OF TEXT PROCESSING EQUIPMENT IS STILL HIGHLY INDUSTRY SECTOR DEPENDENT
  - NO CROSS INDUSTRY PATTERN OF BRANCHES VS. INDEPENDENT COMPANIES
- SIGNIFICANT USE OF ELECTRONIC TYPEWRITERS IS SEEN
- USE OF PLAIN PAPER COPIERS PREDOMINATES EVEN IN SMALL ESTABLISHMENTS
  - HOWEVER, COATED PAPER IS STILL USED
  - QUALITY OF OUTPUT IS THE MOST IMPORTANT COPIER CHARACTERISTIC
- FOR THOSE INTERESTED IN "ELECTRONIC MAIL"
  - THE INSTALLED BASE OF ELECTRONIC INPUT/OUTPUT TYPEWRITERS HAS YET TO BE BUILT
  - QUALITY IS IMPORTANT

SMALL ESTABLISHMENTS USING WORD PROCESSING EQUIPMENT BY INDUSTRY



* PHYSICIANS' OFFICES ONLY

** ADVERTISING AGENCIES ONLY

ELECTRICAL AND ELECTRONIC EQUIPMENT SECTOR - OFFICE EQUIPMENT USED BY RESPONDENTS (PERCENTAGE OF RESPONDENTS)

TYPE OF EQUIPMENT	INDEPENDENT ESTABLISHMENTS	BRANCHES OF LARGE CORPORATIONS
ELECTRONIC TYPEWRITERS	6%	11%
STANDALONE WORD PROCESSORS	0	11
COATED PAPER COPIERS	6	11
PLAIN PAPER COPIERS	82	95
DUPLICATING EQUIPMENT	12	0
PRINT SHOP	0	5

NUMBER OF RESPONDENTS = 36

WHOLESALE NON-DURABLE GOODS SECTOR - OFFICE EQUIPMENT USED BY RESPONDENTS

(PERCENTAGE OF RESPONDENTS)

TYPE OF EQUIPMENT	INDEPENDENT ESTABLISHMENTS	BRANCHES OF LARGE CORPORATIONS
ELECTRONIC TYPEWRITERS	0	8%
STANDALONE WORD PROCESSORS	4%	0
COATED PAPER COPIERS	36	40
PLAIN PAPER COPIERS	64	60
DUPLICATING EQUIPMENT	4	0
PRINT SHOP	4	0

NUMBER OF RESPONDENTS = 50

ADVERTISING SECTOR - OFFICE EQUIPMENT USED BY RESPONDENTS (PERCENTAGE OF RESPONDENTS)

TYPE OF EQUIPMENT	INDEPENDENT ESTABLISHMENTS	BRANCHES OF LARGE CORPORATIONS
ELECTRONIC TYPEWRITERS	35%	17%
STANDALONE WORD PROCESSORS	15	33
COATED PAPER COPIERS	35	12
PLAIN PAPER COPIERS	85	94
DUPLICATING EQUIPMENT	0	6
PRINT SHOP	0	0

NUMBER OF RESPONDENTS = 38

VENDOR STORES

A REPORT FROM THE

SMALL ESTABLISHMENT SERVICE

SEPTEMBER 1979

S-PRN

INPUT

OBJECTIVE

- PROVIDE INFORMATION TO VENDORS TO ALLOW THEM TO ASSESS:

  - HOW VENDOR STORES OPERATE

  - WHO ARE THE CUSTOMERS

  - WHAT WILL FUTURE VENDOR STORES BE LIKE

- ASSIST VENDORS TO DETERMINE:

  - SHOULD THEY OPEN A STORE

  - IF SO, HOW?

  - HOW SHOULD THEY USE THIS DISTRIBUTION CHANNEL

OBJECTIVE

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- ASSIST VENDORS TO DETERMINE:
  - SHOULD THEY OPEN A STORE
  - IF SO, HOW?
  - HOW SHOULD THEY USE THIS DISTRIBUTION CHANNEL

HOW VENDOR STORES FIT INTO DISTRIBUTION CHANNELS

- ONE OF MANY CHANNELS EACH WITH ITS OWN ADVANTAGES
  - DIRECT SALESMEN
  - SYSTEM HOUSES
  - DEALERS/REPRESENTATIVES
  - VENDOR STORES
  - LARGE RETAILERS
  - MAIL ORDER/CATALOG

DEFINITIONS

- VENDOR STORES
  - WALK-IN
  - VENDOR NAME DISPLAYED PROMINENTLY
  - DOES NOT HAVE TO BE OWNED BY VENDOR
- BUSINESS ORIENTED ESTABLISHMENT SELLS INFORMATION PROCESSING PRODUCTS PRIMARILY TO BUSINESSES
- HOBBY ORIENTED ESTABLISHMENT SELLS PRIMARILY TO HOBBYISTS AND HOMEOWNERS
- HOBBYIST HAS A HIGH INTEREST IN COMPUTERS FOR THE SAKE OF THE COMPUTER
- HOMEOWNER; A NON TECHNICAL PERSON USING COMPUTERS FOR USEFUL WORK
- PROFESSIONAL DOCTOR, LAWYER, OR AN ENGINEER

STORES INTERVIEWED

- 15 BUSINESS ORIENTED STORES
- 13 HOBBY ORIENTED STORES

VENDORS INTERVIEWED

- 12 MAJOR VENDORS

CONCLUSIONS

- VENDOR STORES SELL 7% OF THE EQUIPMENT TO SMALL ESTABLISHMENTS IN 1978. THIS WILL GROW TO 15% BY 1981.

- EXISTING STORES WERE ESTABLISHED SUCCESSFULLY WITHOUT PROFESSIONAL PLANNING

  - THEIR SUCCESS INDICATES THE LARGE OPPORTUNITY WHICH EXISTS

- THE INFORMATION EQUIPMENT STORE MARKET IS RIPE FOR A "GM" FRANCHISE OPERATION

  - NATIONAL SUPPORT

  - ADVERTISING

  - TRAINING

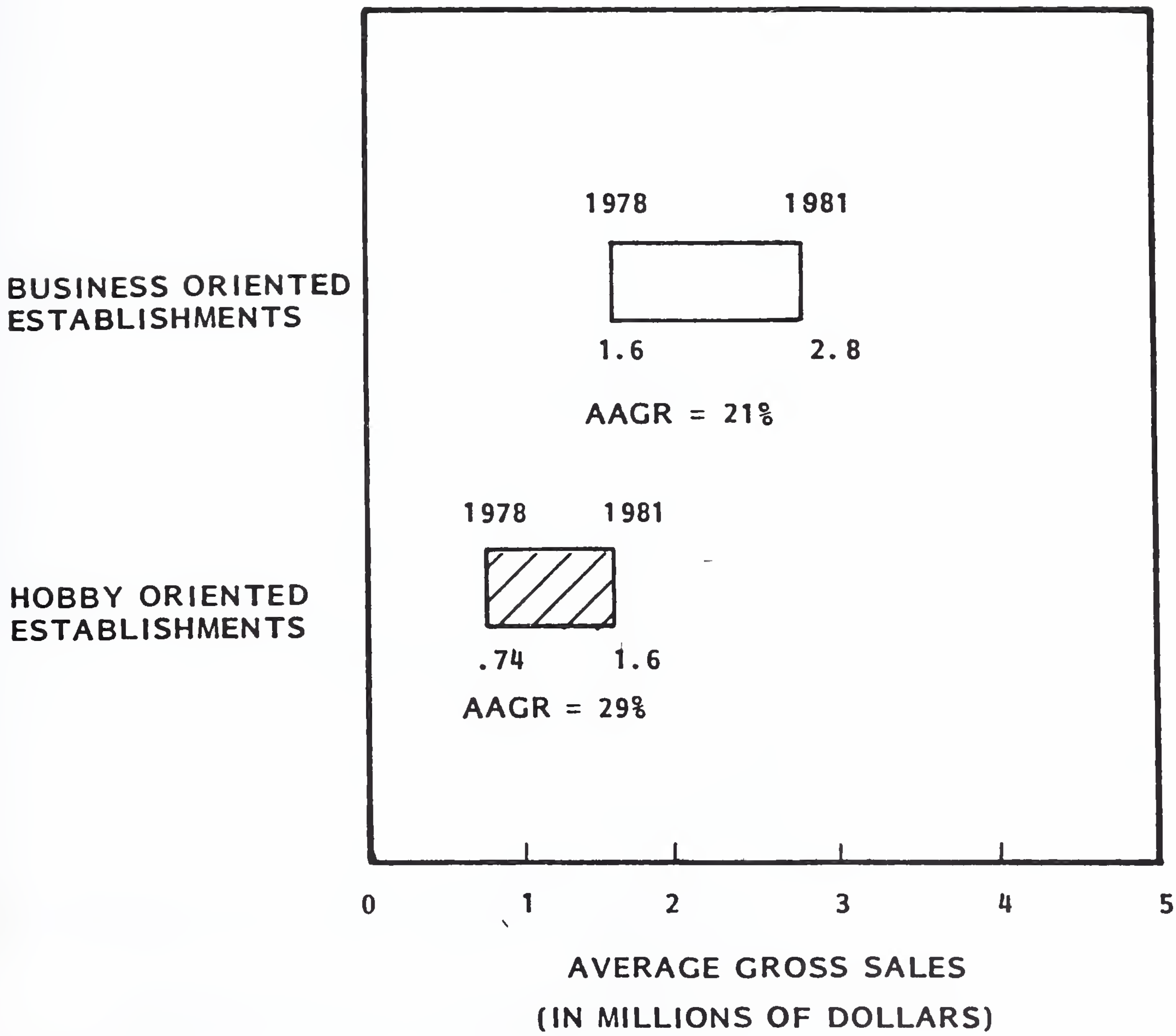
  - MAINTENANCE

  - REPUTATION

CONCLUSIONS - EXISTING OPERATIONS

- AVERAGE STORE REVENUE IS $1.2 MILLION NOW
  - GROWTH IS 20% TO 30% AAGR
- TOTAL NUMBER OF STORES WITH INFORMATION EQUIPMENT THEIR MAJOR BUSINESS IS ABOUT 1,000 IN 1978
  - GROWING AT 25% AAGR
- TOTAL SALES OF STORES IS:
  - $1.2 BILLION IN 1978
  - $4.6 BILLION IN 1981
- STORES IN 1978 SELLING (BY VOLUME)
  - 1/3 TO HOMEOWNER/HOBBYISTS
  - 2/3 TO BUSINESSMEN
- TREND IS TOWARDS BUSINESSMEN

EXPECTED ESTABLISHMENT AVERAGE
GROSS SALES GROWTH 1978 - 1981



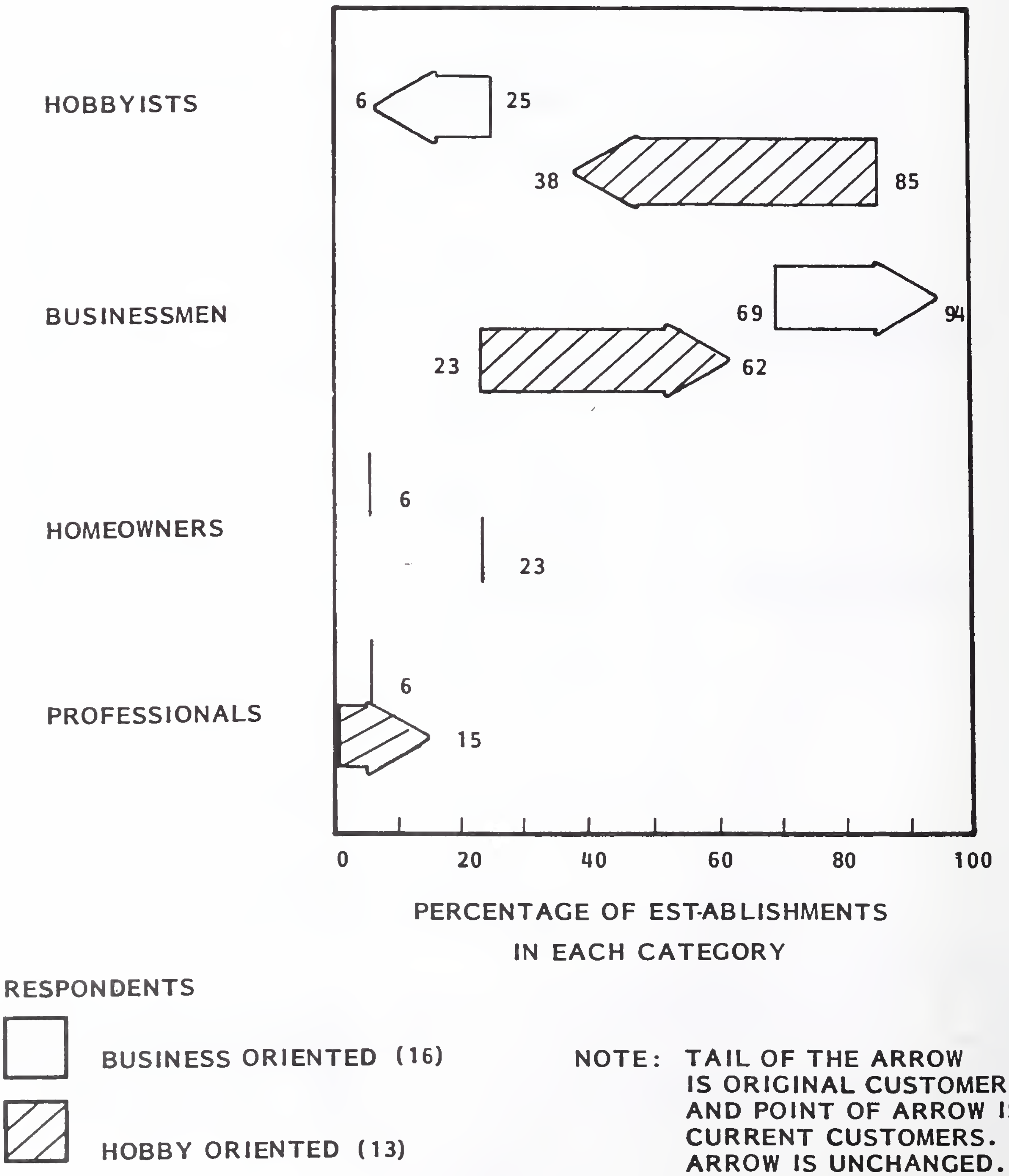
RESPONDENTS

BUSINESS ORIENTED (13)

HOBBY ORIENTED (11)

NOTE: BOTH BUSINESS AND HOBBY ORIENTED ESTABLISHMENTS SELL TO BOTH BUSINESSMEN AND HOBBYISTS.

CUSTOMER MIGRATION -
ORIGINAL CUSTOMERS TO CURRENT CUSTOMERS



NOTE: TAIL OF THE ARROW IS ORIGINAL CUSTOMERS AND POINT OF ARROW IS CURRENT CUSTOMERS. NO ARROW IS UNCHANGED.

CONCLUSIONS - STARTING A STORE

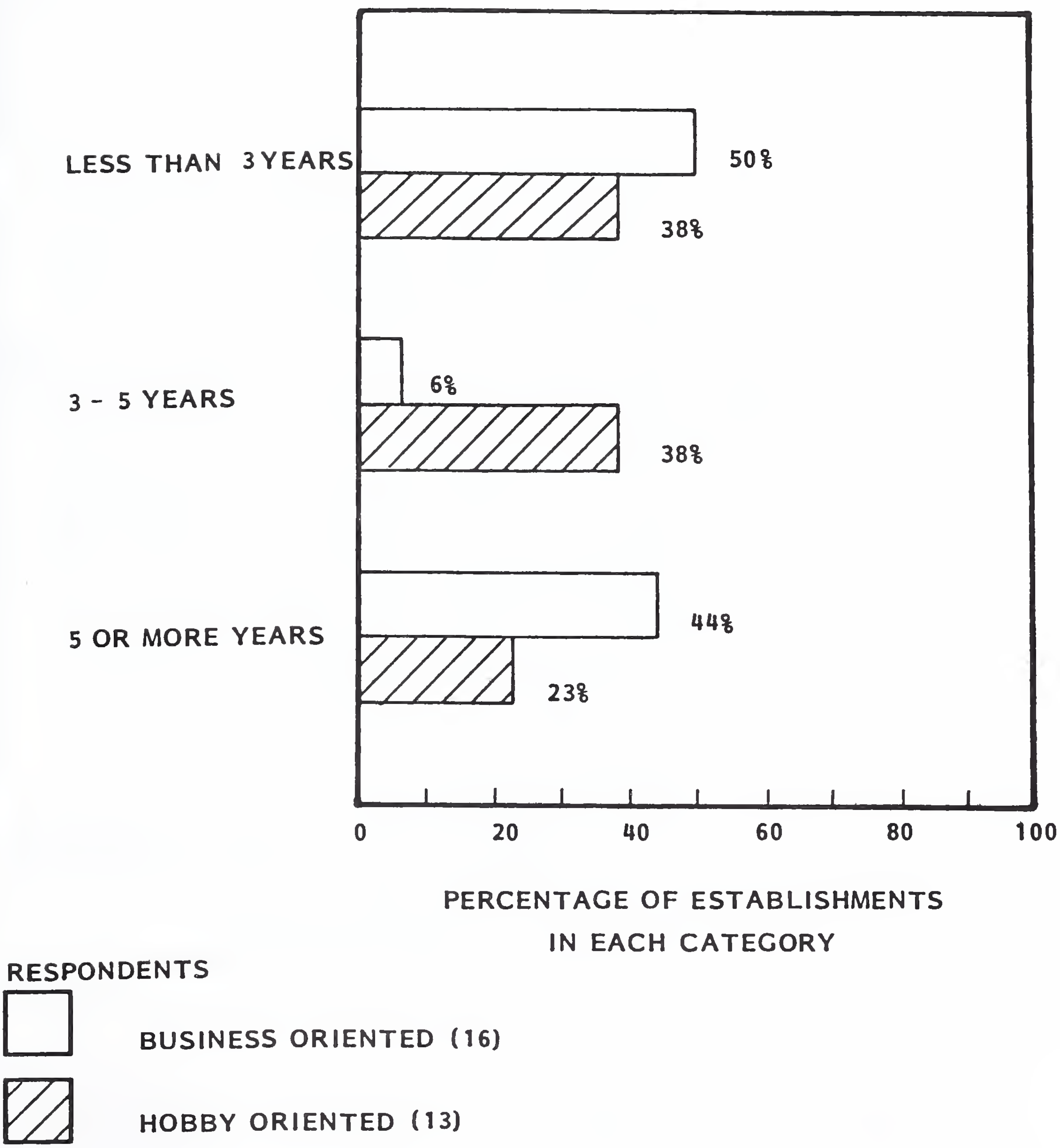
- INVESTMENT FOR START UP COSTS AND OPERATING EXPENSES WILL BE $400,000
- FIRST YEAR REVENUE WILL BE $500,000
  - 20% - 30% AAGR GROWTH
- LOCATION CHOICE
  - TO REACH SMALL BUSINESSMEN HAVE A LOCATION ATTRACTIVE TO THEM
  - LESS IMPORTANT IF OUTSIDE SALESMEN ARE USED
  - NO HISTORY OF RESULTS
- PLAN ON PROMOTIONAL EFFORT
  - EDUCATIONAL TYPE EXTERNAL PROMOTION
  - SELF-TEACHING DISPLAYS AND DEMONSTRATIONS FOR INTERNAL PROMOTION
- SELECT PRODUCTS FOR THE BUSINESSMEN

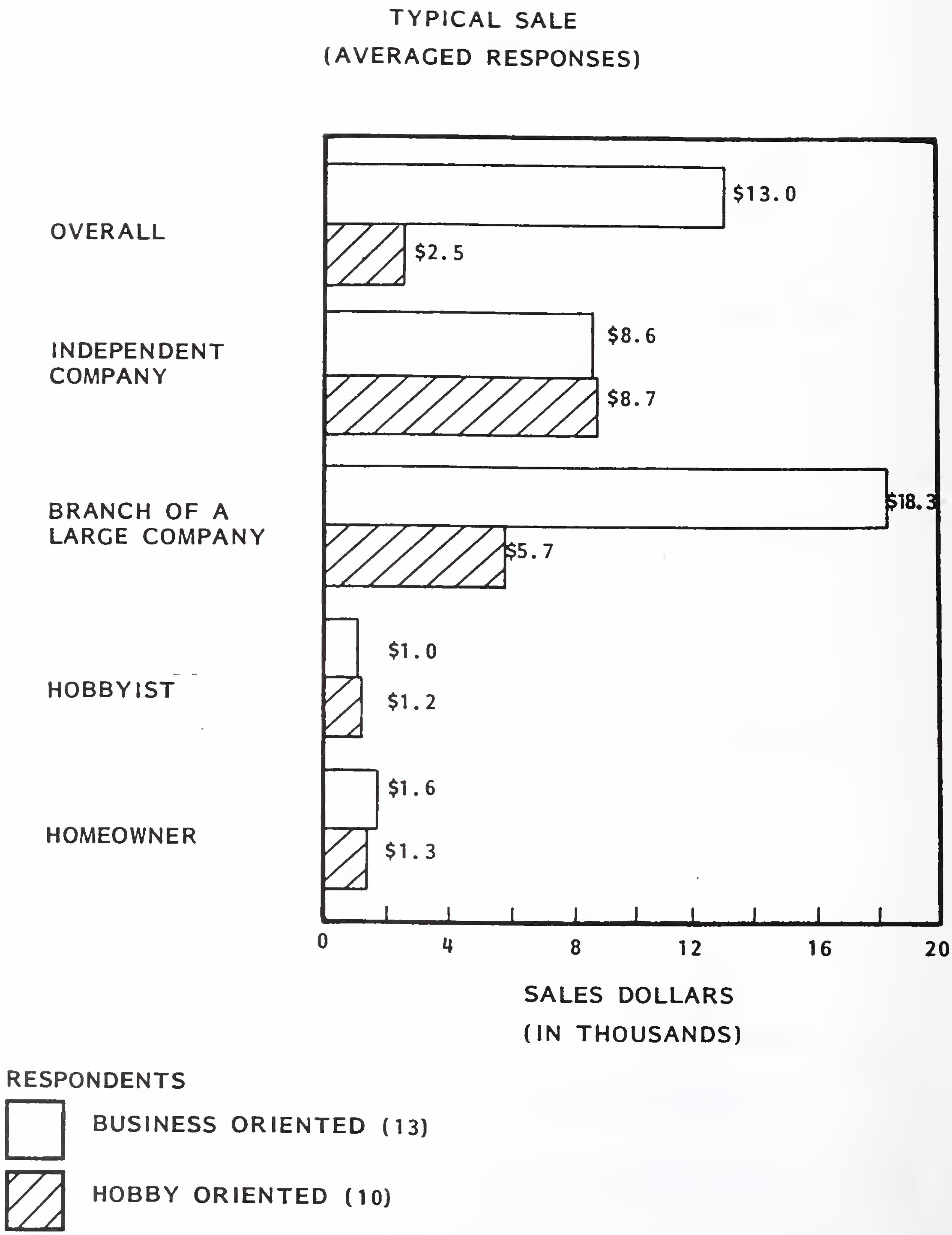
HOW STORES OPERATE

RN

INPUT

LENGTH OF TIME ESTABLISHMENTS
HAVE BEEN IN BUSINESS

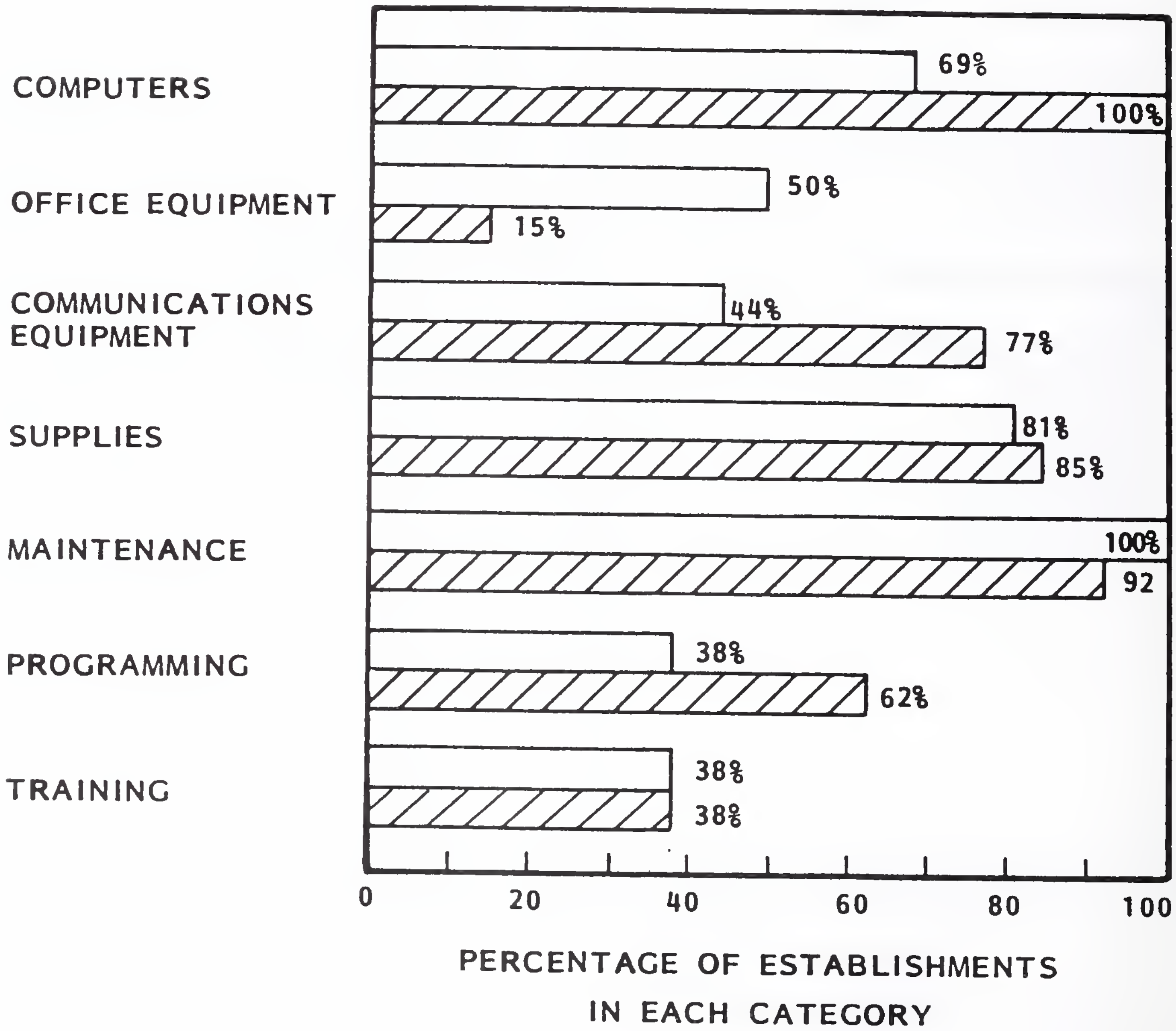



TYPICAL SALE
(AVERAGED RESPONSES)
OVERALL
$13.0
$2.5
INDEPENDENT COMPANY
$8.6
$8.7
BRANCH OF A LARGE COMPANY
$18.3
$5.7
HOBBYIST
$1.0
$1.2
HOMEOWNER
$1.6
$1.3
0
4
8
12
16
20
SALES DOLLARS
(IN THOUSANDS)
RESPONDENTS
BUSINESS ORIENTED (13)
HOBBY ORIENTED (10)

BRAND NAMES OF EQUIPMENT CARRIED

BUSINESS ORIENTED STORES	HOBBY ORIENTED STORES
COMPUTER SYSTEMS DEC DATA GENERAL HEWLETT-PACKARD HONEYWELL PERTEC OTHER EQUIPMENT REDACTRON PHILIPS OLIVETTI OKIDATA CENTRONICS HAZELTINE EXECUTONE	COMPUTER SYSTEMS PET APPLE II EXIDY CROMEMCO OTHER EQUIPMENT HITACHI MICROMATION TELERAY

PRODUCTS AND SERVICES SOLD



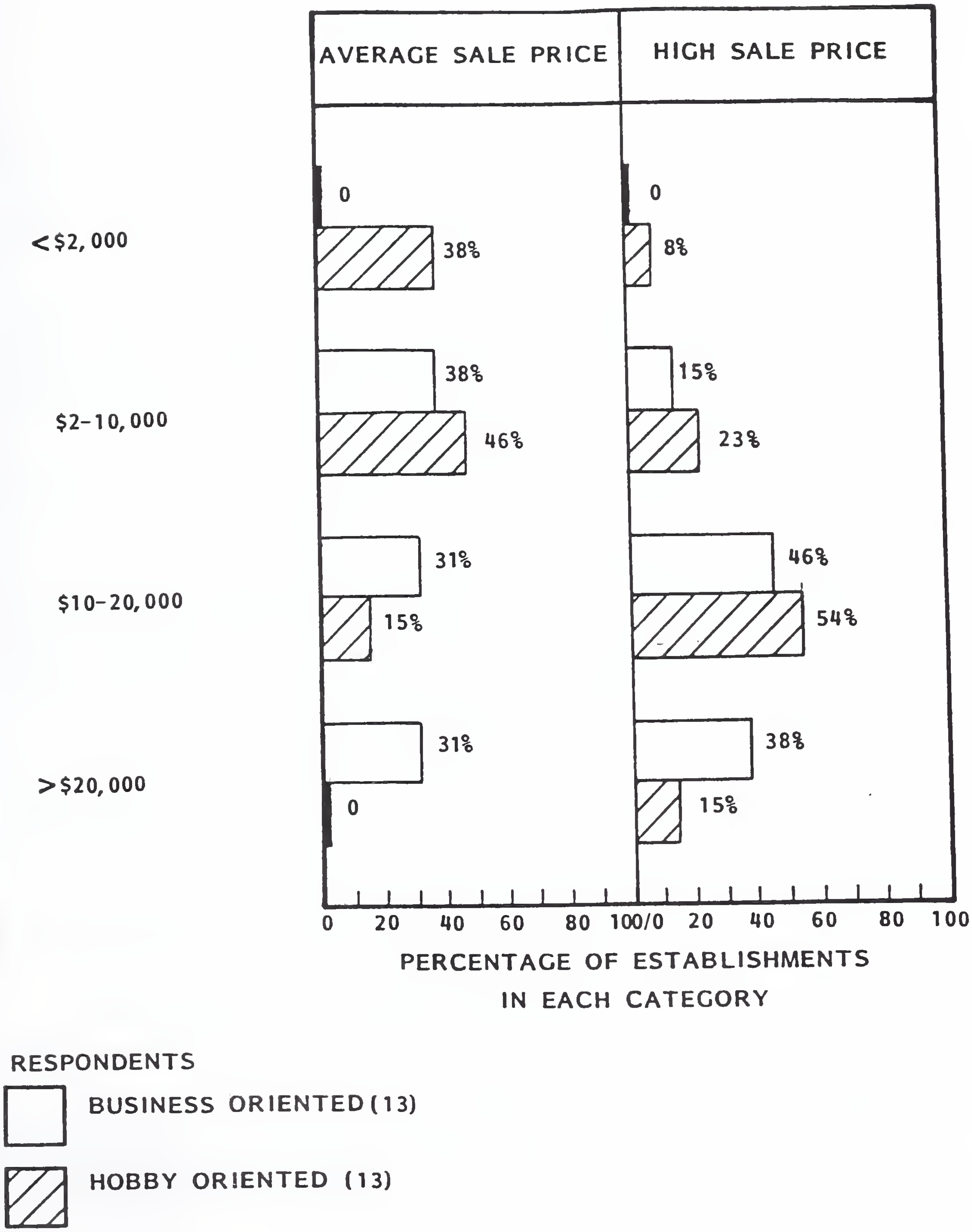
RESPONDENTS

BUSINESS ORIENTED (16)

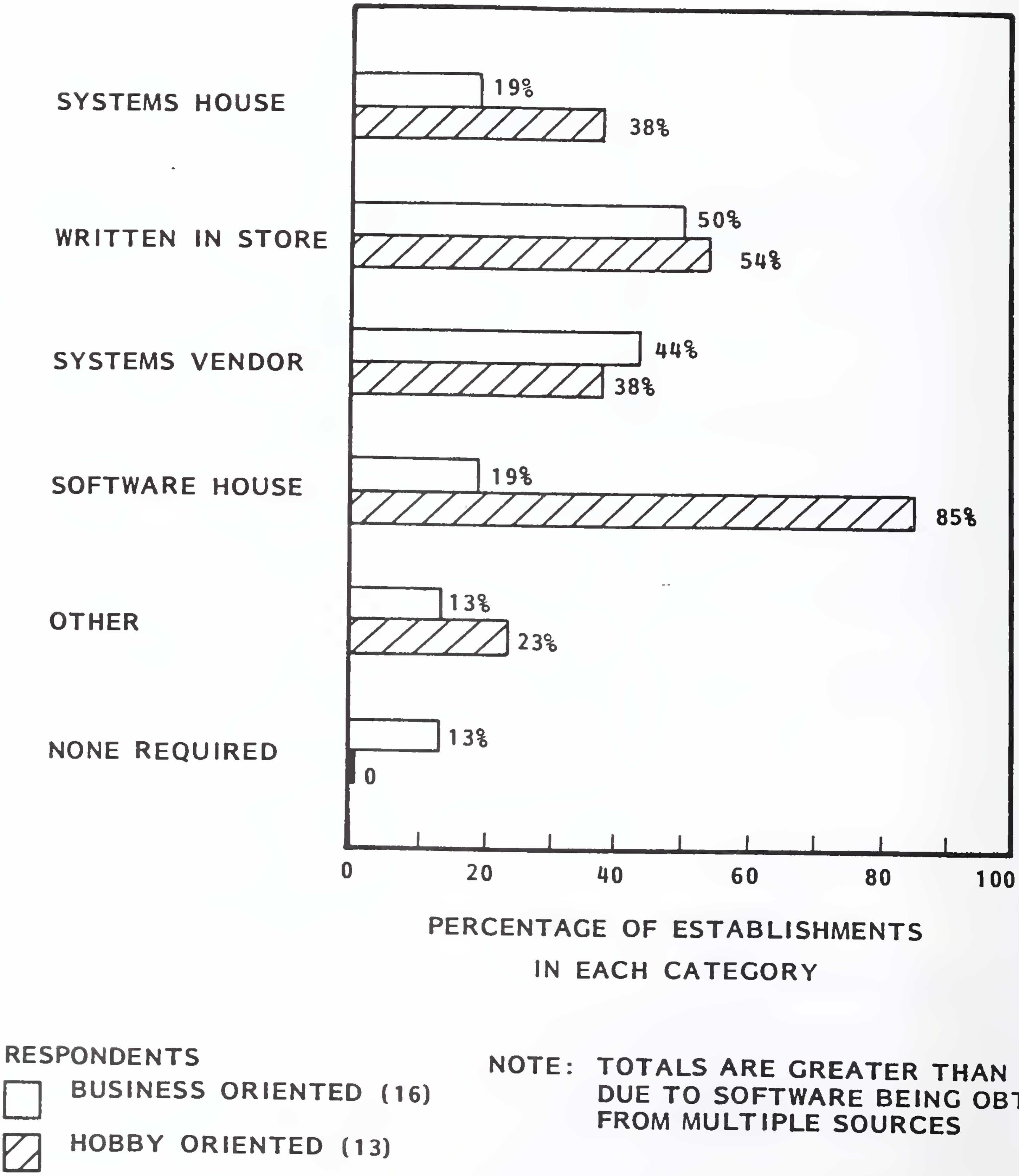
HOBBY ORIENTED (13)

NOTE: TOTALS ARE GREATER THAN 100% DUE TO STORES SELLING MULTIPLE PRODUCTS AND SERVICES

AVERAGE AND HIGH SALES PRICES FOR COMPUTER SYSTEMS AND EQUIPMENT

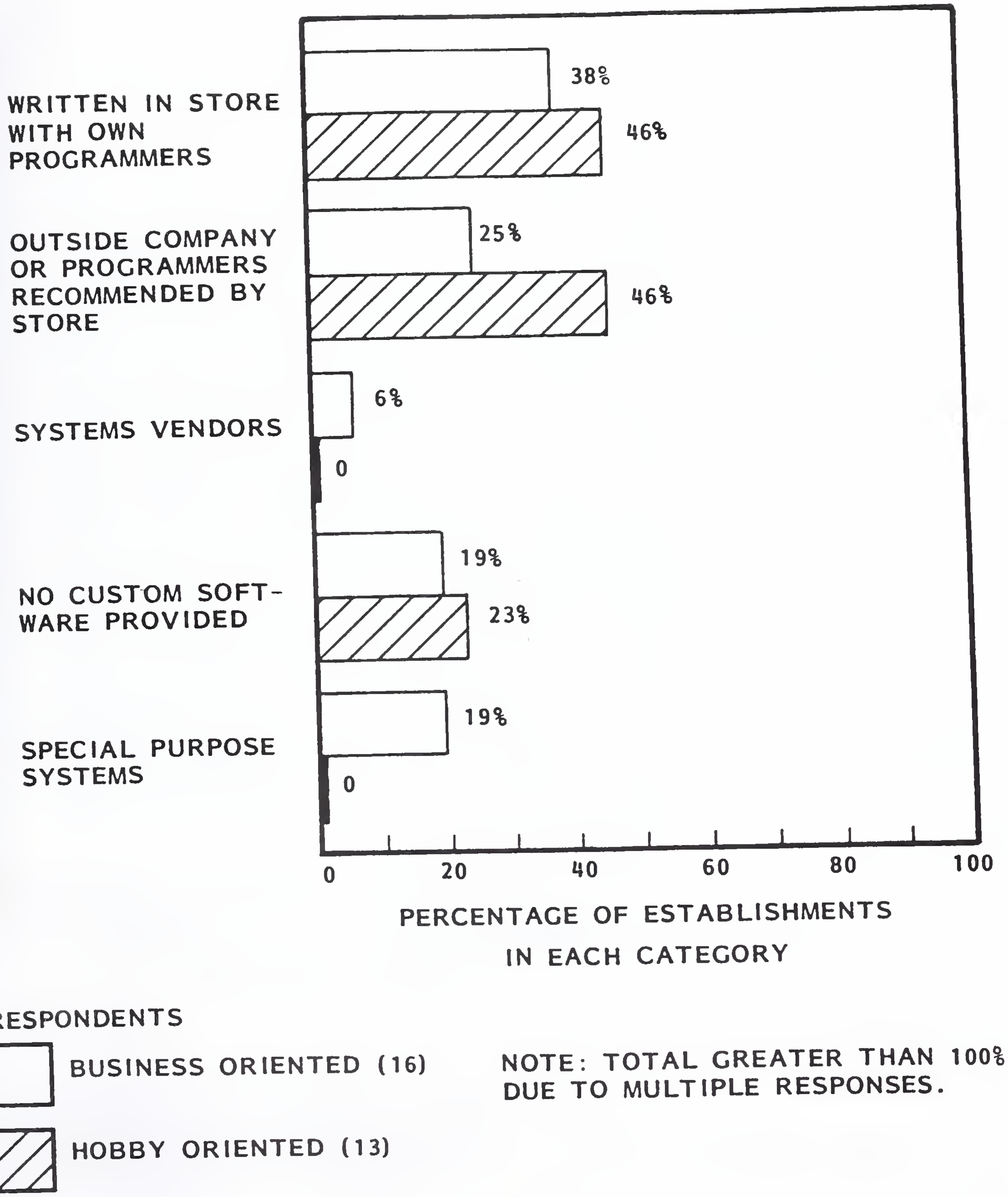


SOFTWARE SOLD BY THE ESTABLISHMENT IS OBTAINED FROM MULTIPLE SOURCES



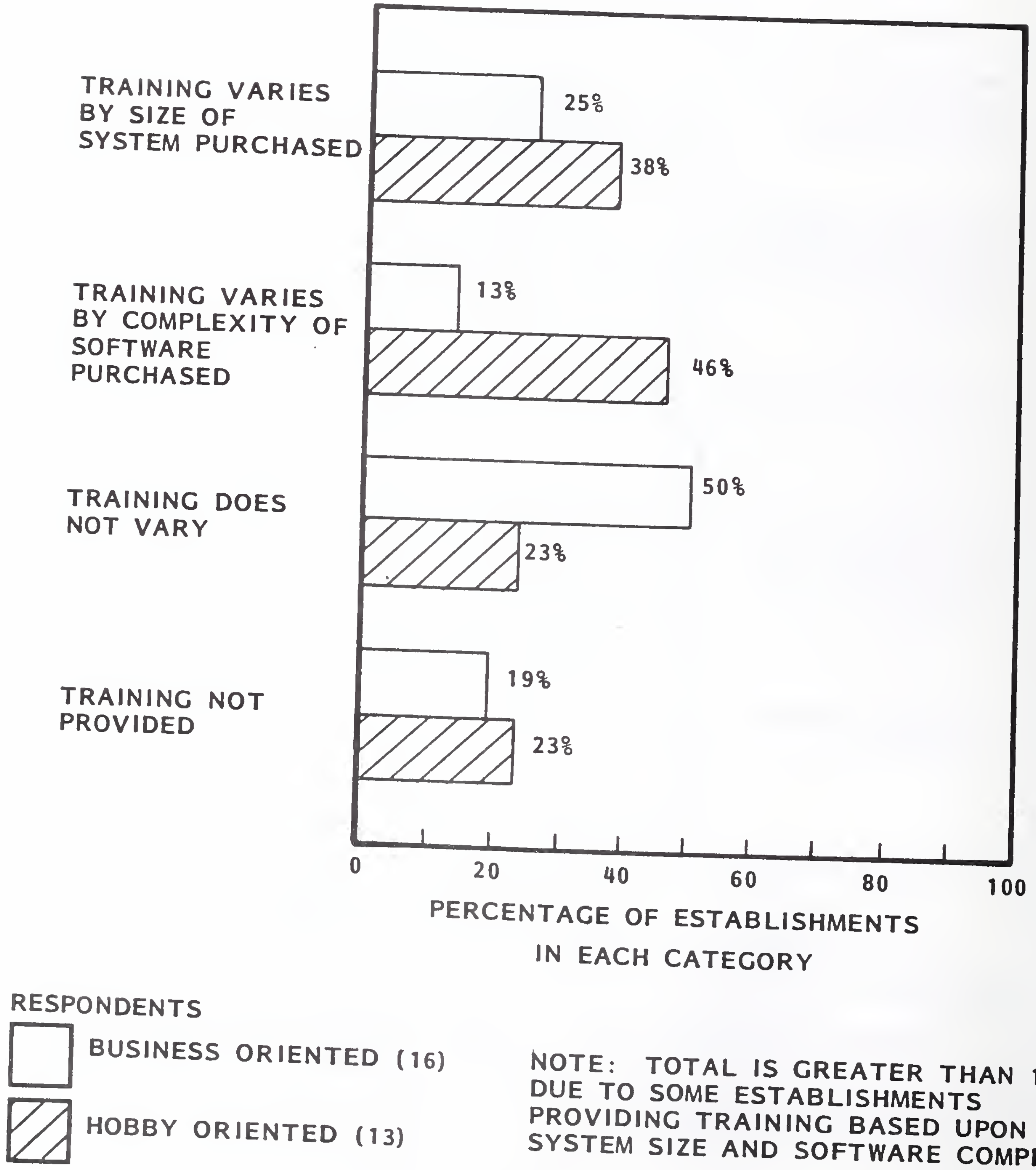
NOTE: TOTALS ARE GREATER THAN 100% DUE TO SOFTWARE BEING OBTAINE FROM MULTIPLE SOURCES

HOW IS CUSTOM SOFTWARE
PROVIDED TO CUSTOMERS?



NOTE: TOTAL GREATER THAN 100% DUE TO MULTIPLE RESPONSES.

HOW IS THE AMOUNT OF TRAINING PROVIDED TO CUSTOMERS DETERMINED?

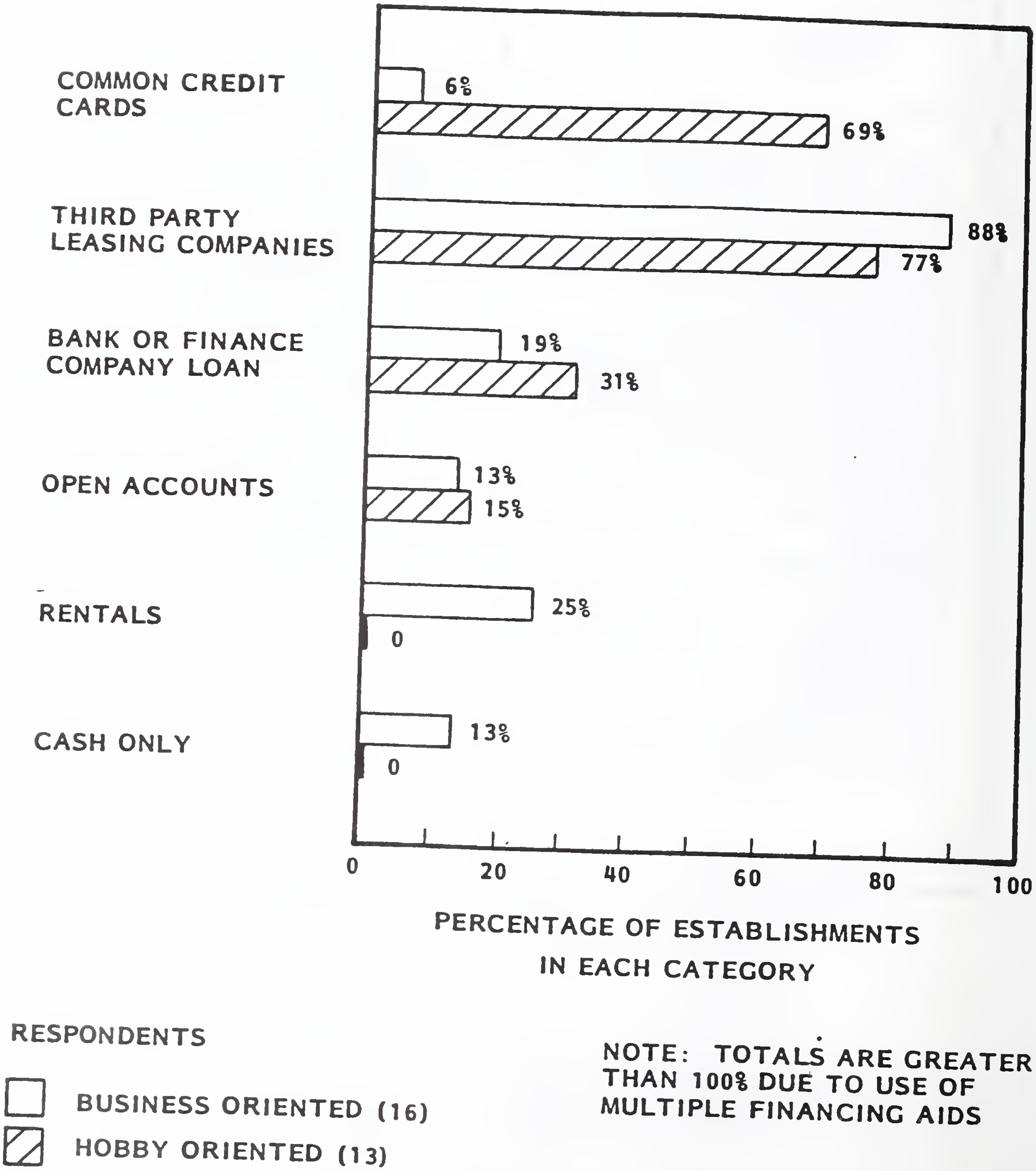


NOTE: TOTAL IS GREATER THAN 100% DUE TO SOME ESTABLISHMENTS PROVIDING TRAINING BASED UPON SYSTEM SIZE AND SOFTWARE COMPLEXITY

PRODUCT AND SERVICE CHANGES EXPECTED TO BE MADE IN THE NEXT TWO YEARS

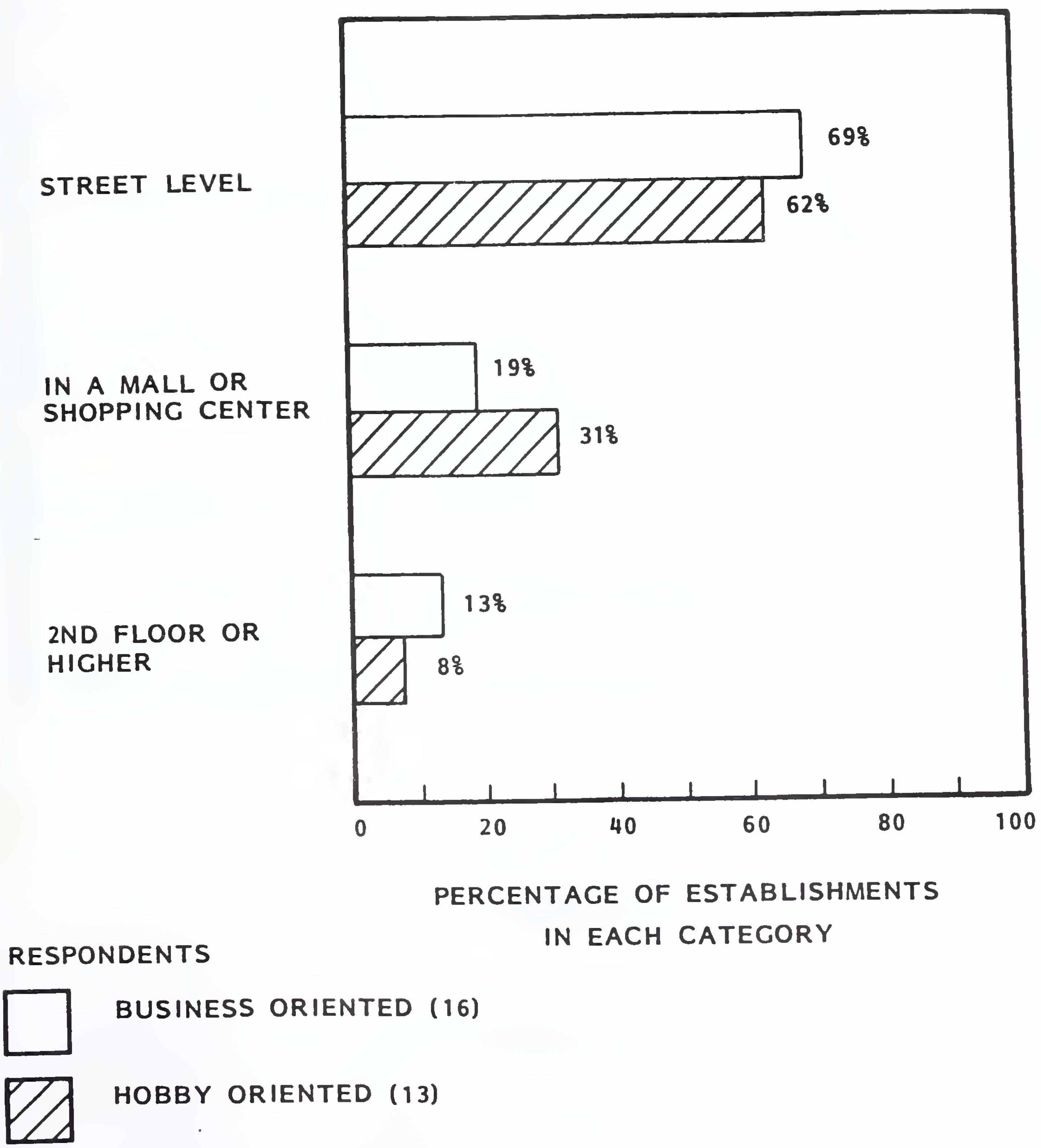
BUSINESS ORIENTED ESTABLISHMENTS	HOBBY ORIENTED ESTABLISHMENTS
- MORE VERTICAL MARKETING - ADD WORD PROCESSING, COPIERS, AND TRAINING PACKAGES - UPGRADE PRODUCTS IN ORDER NOT TO COMPETE WITH DEPARTMENT STORES - DROP TWO PRODUCT LINES AND ADD ONE BROADER ONE - SEPARATE BUILDING FOR COMPUTERS AND RENT SERVICES TO INDEPENDENT PROGRAMMERS - NO CHANGE - JUST INCREASE VOLUME - IMPROVE SERVICE - DON'T KNOW, THINGS CHANGE TOO FAST - ACQUIRE MORE PROFESSIONAL SOFTWARE - EXPAND SERVICES - MORE TURNKEY PRODUCTS THAT MAKE COMPUTER MORE OF A TOOL	- MORE HAND HOLDING FOR SMALL BUSINESS - ADD MORE PERIPHERALS AND SOFTWARE - MORE HARDWARE AND MUCH MORE SOFTWARE - GO TO THIRD PARTY MAINTENANCE - NO CHANGE - INCREASE NUMBER OF BRANDS CARRIED - MORE PERSONAL COMPUTERS AS LONG AS THERE IS NO DEPRESSION - DON'T KNOW - MORE COMPLETE SERVICE

FINANCING HELP PROVIDED CUSTOMERS



NOTE: TOTALS ARE GREATER THAN 100% DUE TO USE OF MULTIPLE FINANCING AIDS

BUSINESS SITES

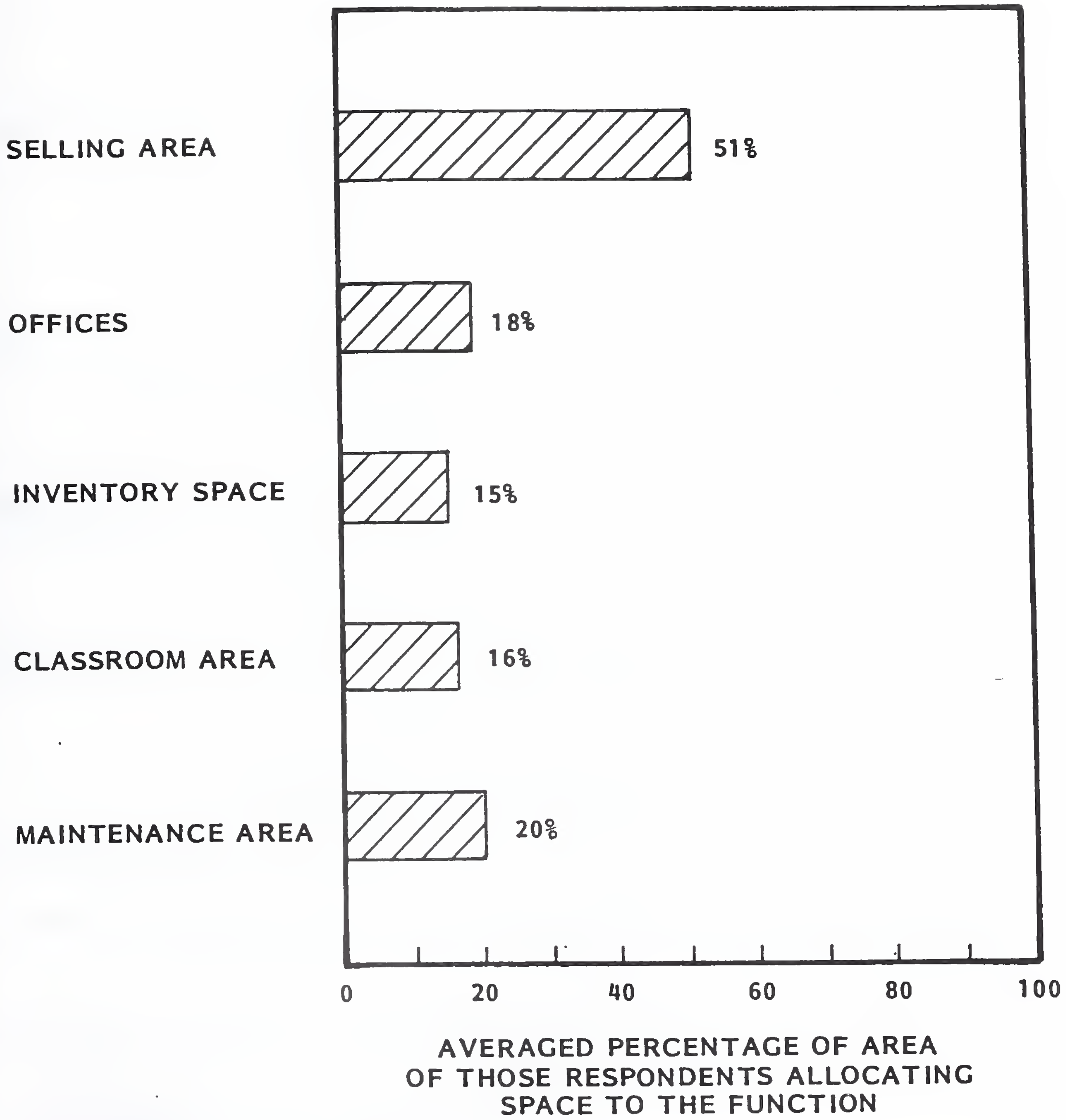


ESTABLISHMENT SIZE (SQUARE FOOTAGE)

- ESTABLISHMENT SIZE RANGE: 200 SQUARE FEET TO 22,000 SQUARE FEET
- MEDIAN STORE SIZE: 1,600 SQUARE FEET
- MEAN STORE SIZE: 2,340 SQUARE FEET*

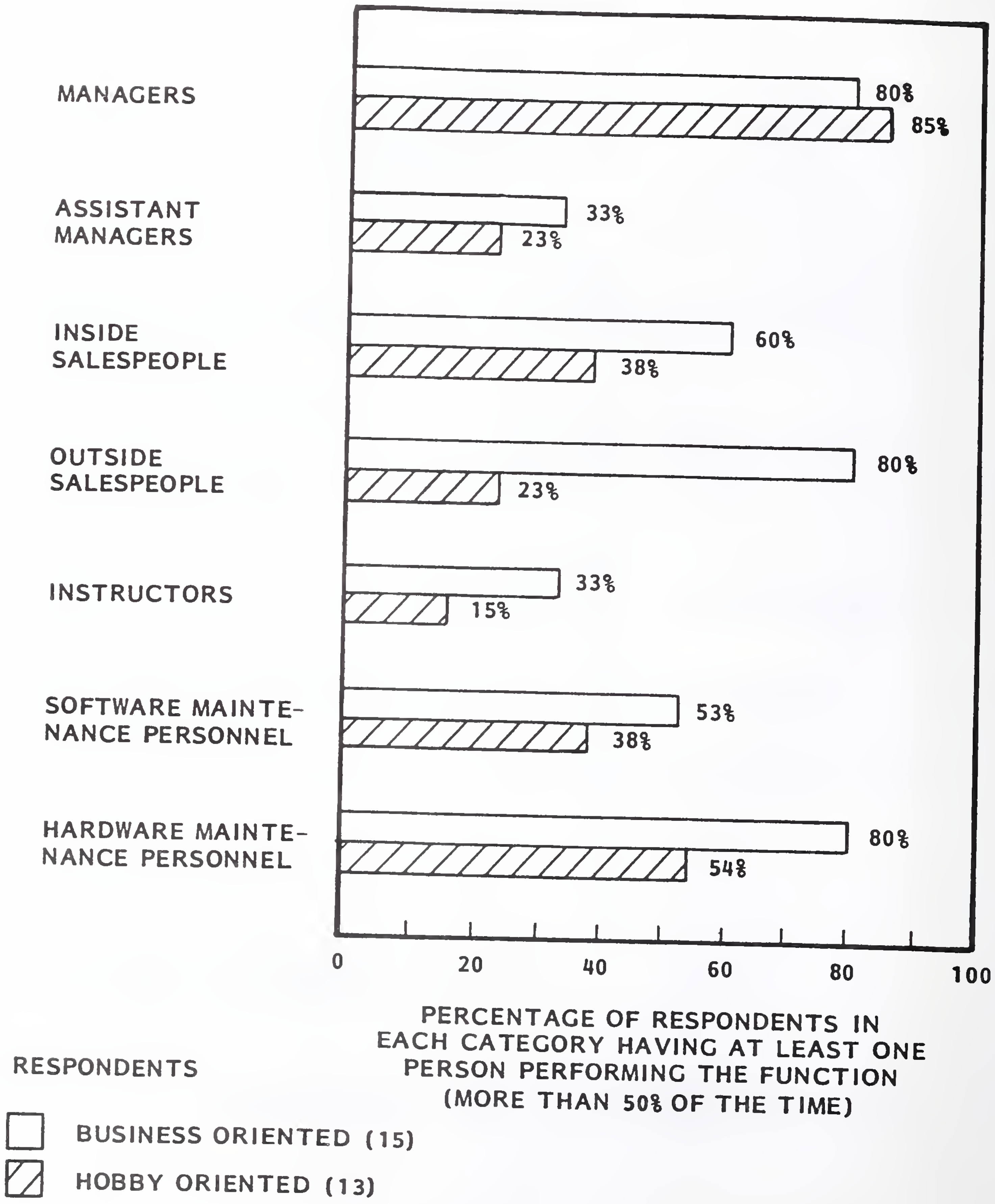
*EXCLUDING THE THREE OUTLIERS (200, 20,000, AND 22,000 SQUARE FEET)

SPACE ALLOCATION

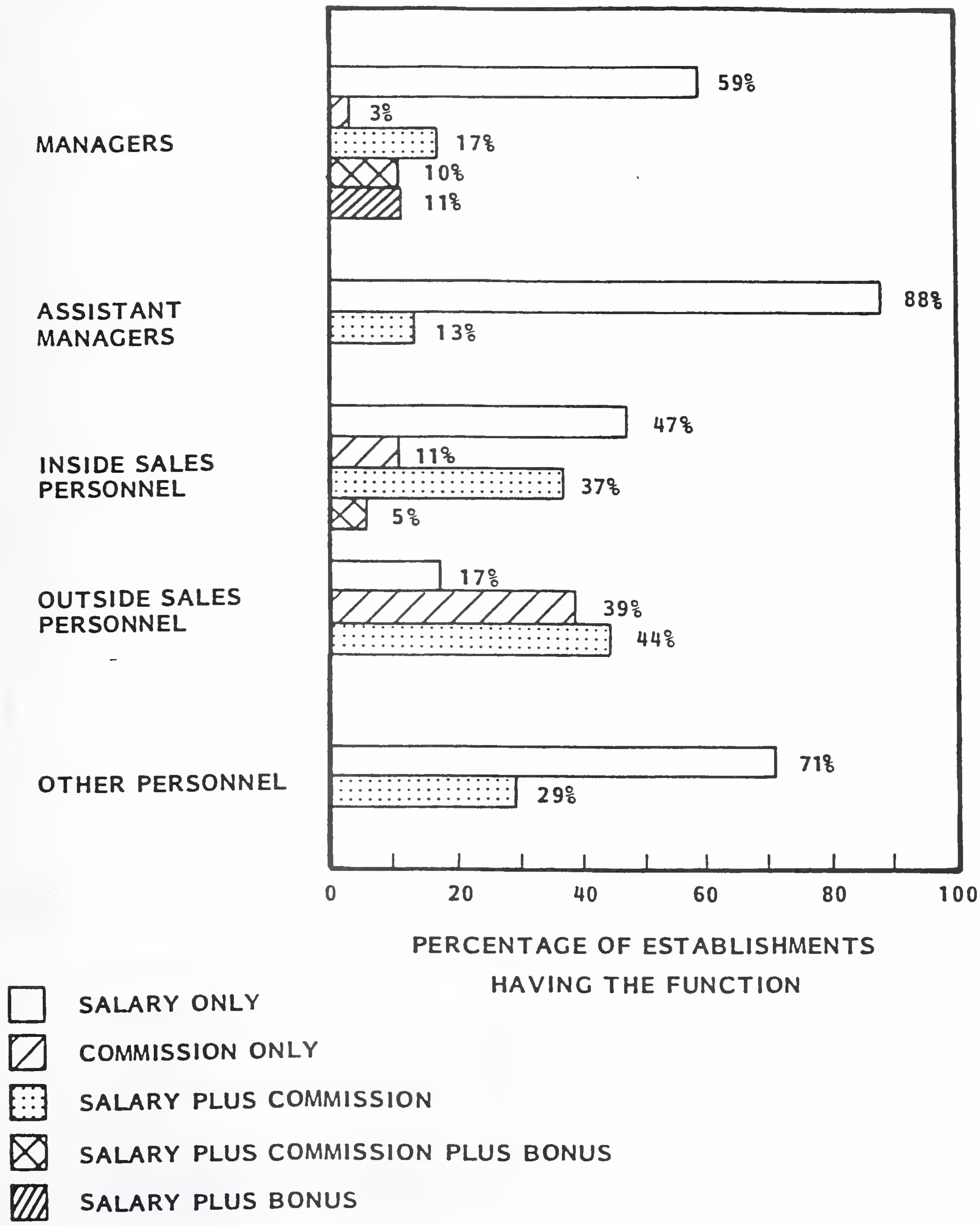


NOTE: TOTAL IS GREATER THAN 100% DUE TO NOT ALL RESPONDENTS HAVING ALL FUNCTIONS IN THEIR ESTABLISHMENT

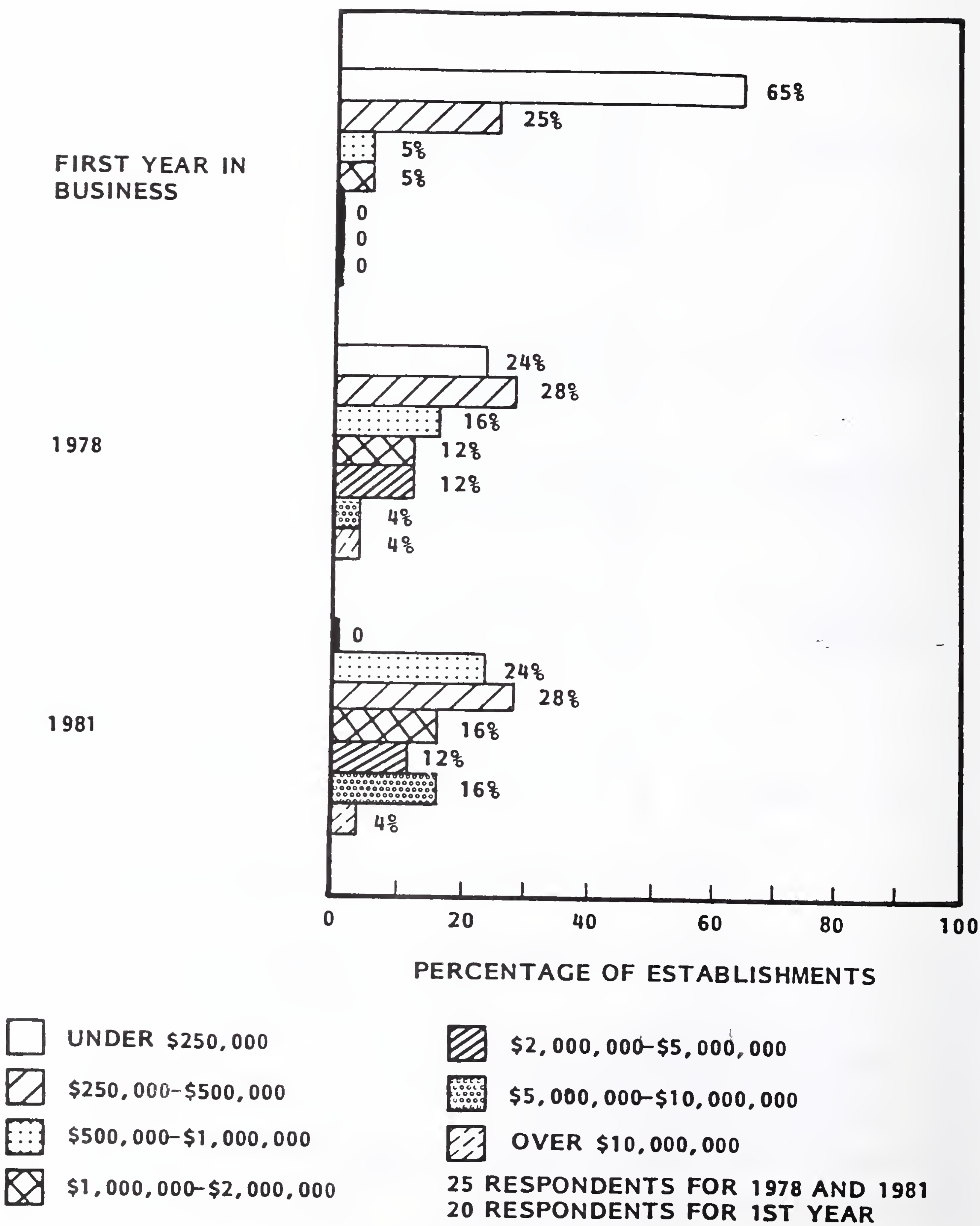
ESTABLISHMENT STAFF
(EXCLUDING OWNERS AND PART TIME PERSONNEL)



STAFF COMPENSATION METHODS



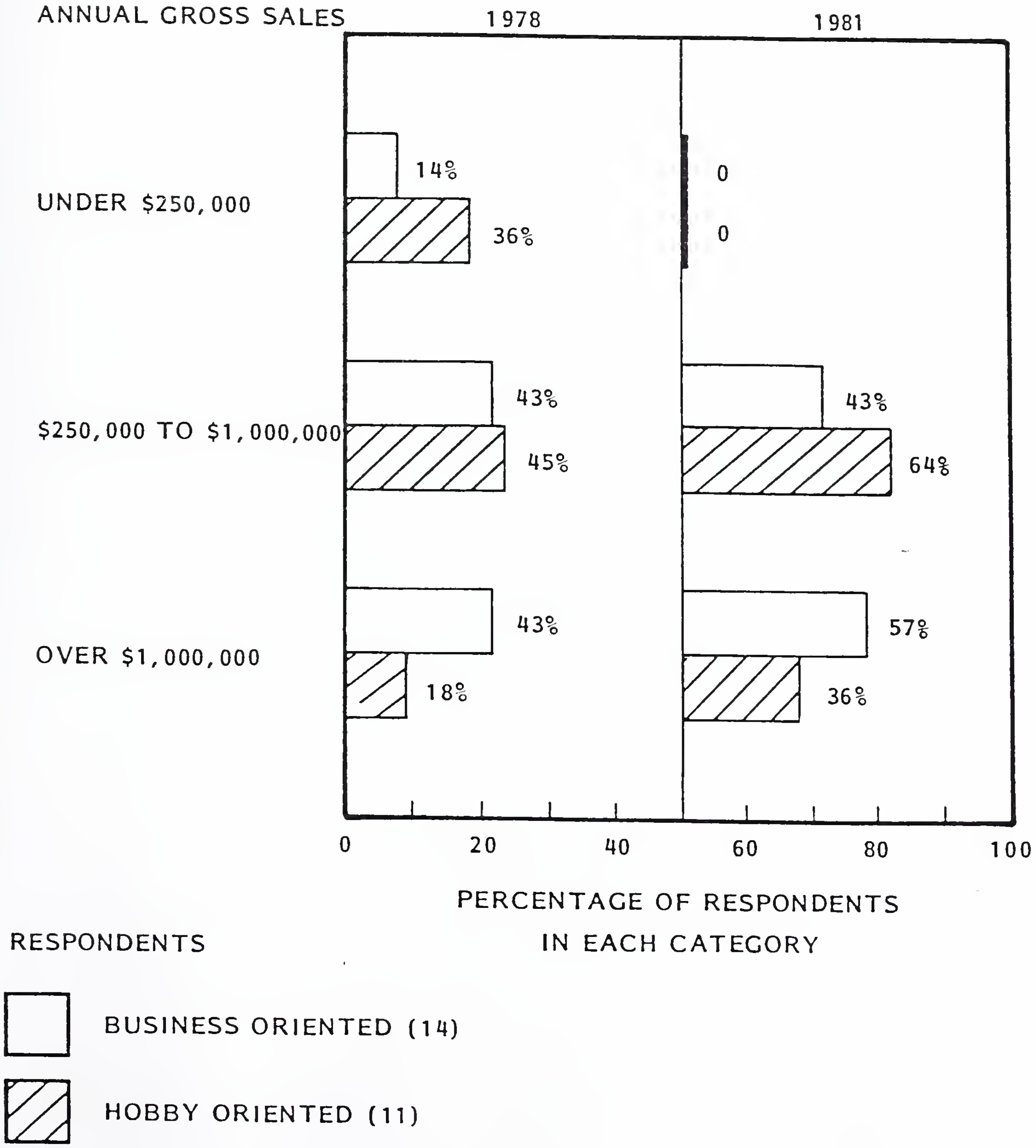
GROSS SALES



S-PRN.

GROSS SALES-BY BUSINESS TYPE

1978 AND EXPECTED 1981



FRANCHISING

PRN

INPUT

FRANCHISING

- TRADITIONAL PRODUCT AND TRADE NAME FRANCHISING - FRANCHISEE IDENTIFIED WITH MANUFACTURERS SUPPLIES
  - AUTO DEALERS
  - SERVICE STATIONS
- BUSINESS FORMAT FRANCHISING - ALSO INCLUDES INTEGRATED BUSINESS PLAN, STANDARDS, AND COMMUNICATIONS
  - MOTELS
  - REAL ESTATE SERVICES
- DEALER AGREEMENTS, AGENCY AGREEMENTS ALLOW RETAILER TO USE FRANCHISORS NAME UNDER CONDITIONS SUCH AS:
  - SELLING SUFFICIENT PRODUCT
  - NO COMPETITIVE PRODUCTS

FRANCHISING
(CONTINUED)

- VENDORS THINK POSITIVELY ABOUT FRANCHISING
  - FRANCHISEE HAS GREATER INCENTIVE
  - LESS CAPITAL IS TIED UP
- VENDORS FROM ALL PRODUCT LINES EXPECT TO EXPERIMENT WITH FRANCHISING
- COMPUTER STORES AND OFFICE PRODUCTS DEALERS ARE GOOD FRANCHISING RISKS
  - COMPUTER STORE OWNERS HAVE TECHNICAL KNOWLEDGE
  - OFFICE PRODUCT DEALERS HAVE EXPERIENCE
  - BOTH HAVE MARKET KNOWLEDGE
- VENDORS EXPECT TO BE ACCEPTED AS FRANCHISORS BECAUSE OF THEIR;
  - NATIONAL REPUTATION
  - STABILITY AND BUSINESS STRENGTH
  - FULL PRODUCT LINE

FRANCHISING
(CONTINUED)

- FRANCHISEE ATTITUDE TOWARDS THEIR NEEDS, TO BE FILLED BY VENDORS
  - ADVERTISING SALES LITERATURE, ORIENTED TO SPECIFIC INDUSTRIES
  - TRAINING OF SALES PERSONNEL
  - CUSTOMER ORIENTED REPS, FOR LARGE SALES SUPPORT
  - MEET DELIVERY SCHEDULE
- PRICING IDEAS FROM STORES
  - PROVIDE 35% - 45% MARGINS
    - LESS THAN 35% - TOO LITTLE PROFIT
    - MORE THAN 45% - DISCOUNTING WAR
  - LET DEALERS SET PRICE
- MAINTENANCE IDEAS FROM STORES
  - EXTEND WARRANTY TO ONE YEAR
  - REALISTIC MINIMUM REPAIR CHARGES
  - LOCAL SERVICE CENTERS
- SUPPORT DEALERS AS IF THEY WERE PART OF THE COMPANY

MAJOR VENDOR ATTITUDES

- THE REAL DRIVING FORCE
  - HAVE THE MONEY AND STRENGTH TO AFFECT THE MARKET
  - EDUCATE THE USERS BY THEIR REPUTATION

MAJOR VENDOR ATTITUDES

- EXPECT TO HAVE DIRECT SALESMEN AS THEIR MAJOR CHANNEL FOR THE NEXT THREE YEARS
- NOW STUDYING MULTIPLE DISTRIBUTION CHANNELS
- PERCEIVE THAT NEW WAYS TO REACH SMALL ESTABLISHMENTS ARE REQUIRED
  - SALES EFFICIENCY IS DECREASING
  - TRAVEL TIME OF SALESMEN IS HIGH
  - SALESMEN ARE DIFFICULT TO FIND
- NO FIRM CONSENSUS EXISTS ABOUT THE BEST WAY TO REACH SMALL BUSINESSES
- VENDORS NOW ARE BECOMING MORE POSITIVE TOWARDS STORES
  - HAVE NOT RESOLVED RELATIONSHIPS WITH EXISTING DISTRIBUTION CHANNELS
  - THINK FRANCHISING IS A GOOD APPROACH

MAJOR VENDOR ATTITUDES
(CONTINUED)

- THINK THAT HARDWARE PRODUCTS AND TURNKEY SYSTEMS ARE GOOD ITEMS TO SELL

- VARY IN OPTIONS OF PRODUCTS THAT CAN BE SOLD

  - $1,000 TO $40,000

- DO NOT LIKE TO SELL MODIFIED HARDWARE OR SOFTWARE

  - HOWEVER, 40% OF BUSINESS STORES SELL PROGRAMMING SERVICES

- WOULD LIKE TO HAVE A VENDOR STORE SELL ONLY THEIR PRODUCTS

  - WOULD CARRY COMPLEMENTARY PRODUCTS WHEN GAPS IN THEIR OWN PRODUCT LINE EXISTS

RECOMMENDATIONS

- CONSIDER STORES AS A VIABLE CHANNEL TO REACH SMALL ESTABLISHMENTS
  - GROWING IN IMPORTANCE
- OPEN A FEW STORES NOW TO LEARN TECHNIQUES OF RETAILING TO BUSINESSES
- VENDOR STORES SHOULD BE ONE OF SEVERAL DISTRIBUTION CHANNELS TO SMALL BUSINESSES
- DEVELOP A RETAILING PACKAGE INCLUDING:
  - STANDARD SYSTEMS (HARDWARE & SOFTWARE)
  - SALES AND CUSTOMER TRAINING PROGRAMS
  - SALES LITERATURE
  - MAINTENANCE ARRANGEMENTS

RECOMMENDATIONS
(CONTINUED)

- ESTABLISH RELATIONSHIPS WITH EXISTING STORES NOW
- CONSIDER MAKING SALES OFFICES AVAILABLE TO CUSTOMER TRAFFIC
  - DEMONSTRATIONS
  - SEMINARS
  - WALK-IN
- SUPPLY FINANCIAL HELP TO ENTREPRENEURS
  - HARDWARE INVENTORY
  - PACKAGED SOFTWARE/PLANS
- HAVE A SPECIAL GROUP IN THE SALES ORGANIZATION RESPONSIBLE FOR RELATING TO STORES

LEADING EDGE VENDORS

TO THE

SMALL ESTABLISHMENT MARKETPLACE

A REPORT FROM THE

SMALL ESTABLISHMENT SERVICE

DECEMBER 1979

PRN

INPUT

OBJECTIVE

- ANALYZE SMALLER LEADING EDGE VENDORS TO DETERMINE:
  - WHAT THEIR "EDGE" IS
  - HOW THEY OBTAINED THIS EDGE
- LOOK FOR A PATTERN TO ILLUSTRATE SUCCESSFUL BUSINESS STRATEGIES
- EXAMINE COMPETITORS/SUPPLIERS AND THEIR POSSIBLE ACTIONS

COMPANIES ANALYZED

- BOWNE INFORMATION SYSTEMS, INC. (BIS)
- CENTRONICS DATA COMPUTER CORPORATION
- COMPUGRAPHIC CORPORATION
- DATAPOINT CORPORATION
- DATAPRODUCTS CORPORATION
- GTE TELENET CORPORATION
- MANUFACTURING DATA SYSTEMS, INC.
- PLANTRONICS, INC.
- PRIME COMPUTER, INC.
- THE REYNOLDS AND REYNOLDS COMPANY
- ROLM CORPORATION
- TANDY CORPORATION
- WANG LABORATORIES, INC.

CONCLUSIONS

- SMALL VENDORS CAN SUCCEED IN DEVELOPING AN EDGE ON THEIR LARGER COMPETITORS
- THE SMALL ESTABLISHMENT MARKETPLACE HAS BEEN USED BY THESE COMPANIES BECAUSE:
  - IT CONTAINS "NICHES"
  - IT REQUIRES SMALLER AND LESS EXPENSIVE EQUIPMENT
- LARGER COMPETITORS HAVE BEEN FORCED TO FOLLOW THE LEAD OF THESE LEADING EDGE VENDORS

CLASSES OF EDGES

- TECHNOLOGICAL
- PRICE
- MARKETING STRATEGY
- BUSINESS STRATEGY

TECHNOLOGICAL EDGE

- UNIQUE TECHNOLOGY
  - CENTRONICS/MATRIX PRINTERS
  - TELENET/PACKET SWITCHING
- A NEW APPLICATION OF TECHNOLOGY
  - ROLM/COMPUTERS IN PBX
  - MANUFACTURING DATA SYSTEMS/COMPUTERS TO PREPARE N/C TAPES
- COMPANIES HAVE BUILT THEIR EDGE ON TECHNOLOGY, BUT TEND TO KEEP IT IN OTHER WAYS

PRICE EDGE

- MASS MANUFACTURING (LEARNING CURVE)
  - CENTRONICS
  - DATAPRODUCTS
  - PLANTRONICS
- SPECIALIZING FEATURES FOR THE MARKET (ELIMINATING NON-REQUIRED FEATURES)
  - TANDY
  - COMPUGRAPHIC
- IMPORTANT FOR OEM COMPANIES

MARKETING STRATEGY EDGE

- CLARITY OF MARKETING STRATEGY IS MOST BASIC ELEMENT
  - SELECTION OF CUSTOMERS
    - INDUSTRY/APPLICATION
    - END USER SUPPLIER
    - OEM
- CUSTOMER SUPPORT
  - HIGHER THAN COMPETITORS
  - MAINTENANCE
  - SPECIAL ADAPTATIONS FOR OEMS
- PRODUCT LINE
  - COMPLETE, ALL COMPONENTS
  - GROWABLE IN CAPABILITY, THUS VENDOR IS NOT OUTGROWN
- PAY ATTENTION TO CHANNELS OF DISTRIBUTION
  - OWN SALESFORCE
  - OEM'S

BUSINESS STRATEGY EDGE

- A COMBINATION OF OTHER EDGES
  - TECHNOLOGY/PRICE
  - TECHNOLOGY/MARKETING
- INITIALLY TECHNOLOGY FOR A UNIQUE POSITION, THEN OTHER EDGES SUPPLEMENT

SIGNIFICANCE TO LARGE COMPANIES

- SMALL LEADING EDGE VENDORS "SHOWCASE" PRODUCTS FOR:
  - USERS
  - LARGE COMPETITORS
  - REGULATORY AGENCIES
- THEY CAN CAUSE PRESSURES FOR MUCH LARGER COMPANIES TO TAKE ACTIONS
  - SOME OF THESE ACTIONS CAN BE CAUSED BY OTHER LARGER COMPETITORS REACTING TO THE SMALL LEADING EDGE VENDOR
- LARGE COMPANIES CAN LOSE A MARKET NICHE TO SMALL, FAST GROWING LEADING EDGE VENDORS
- SMALL LEADING EDGE VENDORS CAN BE ACQUIRED BY A LARGE COMPANY
  - THIS MAKES THEM EVEN MORE POWERFUL

RECOMMENDATIONS FOR LARGE COMPANIES

- STUDY THE SMALL LEADING EDGE VENDORS
  - TAKE THEM SERIOUSLY
- BE READY TO ADOPT NEW PRODUCTS/SERVICES AS SOON AS THEY PROVE VIABLE
- CONSIDER SPIN OFF OF START UP SITUATIONS
  - GE
  - EXXON ENTERPRISES

SPECIFIC

EXAMPLES

BOWNE INFORMATION SYSTEMS

- SALES 1979 (ESTIMATED) $80 MILLION GROWTH 25% YEAR
- THE EDGE
  - PIONEER IN OFFERING ON-LINE TEXT PROCESSING SERVICES
  - FULL SERVICE VENDOR
    - SALE OF WORD/ONE SOFTWARE
    - KEY PRODUCTS SUCH AS:

      A. KEY SEARCH-LAWYERS DOCUMENT RETRIEVAL

      B. COMSPEC SPECIFICATION PREPARATION
    - ON-SITE HARDWARE (TEXT)
    - HIGH VOLUME XEROX 9700 OUTPUT
    - PHOTO COMPOSITION OUTPUT
    - TEMPORARY SERVICE FOR TRAINED OPERATORS
  - MARKET KNOWLEDGE

BOWNE INFORMATION SYSTEMS
(CONTINUED)

- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKET. A MAJOR COMPETITOR FOR:
  - LAW OFFICES
  - ARCHITECTURAL AND ENGINEERING FIRMS
- SIGNIFICANCE FOR LARGER COMPETITORS
  - MUST MATCH THE BROAD SPECTRUM OF BOWNE SERVICES

COMPUGRAPHIC CORPORATION

- SALES 1979 (ESTIMATED) $250 MILLION, GROWTH 35%
- THE EDGE
  - UNIQUE PHOTOCOMPOSITION PRODUCTS FOR:
    - SMALL PRINTERS AND NEWSPAPERS
    - IN-PLANT PRINT SHOPS
  - DOMINANT MARKET POSITION
  - ENTERED A MARKET COMPETITORS IGNORED
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKET
- SMALLER COMPANIES AND IN-PLANT PRINT SHOPS CAN EMPLOY THE MOST ADVANCED TECHNOLOGY
- SIGNIFICANCE FOR LARGER COMPETITORS
  - THEY HAVE LOST CONTROL OF A SECTOR OF THEIR MARKET

CENTRONICS DATA COMPUTER CORPORATION

- SALES 1979 (ESTIMATED) $80 MILLION
- THE EDGE
  - PIONEER IN MATRIX PRINTING
  - FOR 4 YEARS THE ONLY COMPANY SUPPLYING IT
  - NOW MORE EXPERIENCE ON THE LEARNING CURVE WITH MATRIX PRINTING
  - DEEP RELATIONSHIP WITH 1000 SYSTEM HOUSES, MINI MANUFACTURERS, ETC.
    - ALLOW CENTRONICS TO MOVE TO OTHER PRINTER TECHNOLOGIES
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKET
  - A SOURCE OF PRINTERS FOR THE FUTURE
- SIGNIFICANCE FOR LARGER COMPETITORS
  - CENTRONICS IS CLOSE TO THE MARKET - WILL PROVIDE LEADING PRODUCTS WHICH SET A STANDARD

DATAPOINT CORPORATION

- SALES 1979 (ESTIMATED) $232 MILLION
- THE EDGE
  - SYSTEM ARCHITECTURE WHICH IS IDEAL FOR DISTRIBUTED DATA PROCESSING AND IS UPWARD COMPATIBLE
  - A TECHNOLOGICAL EDGE WHICH MATCHES TODAY'S MARKETPLACE
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - MOSTLY ALLOWS FOR BRANCHES OF MAJOR COMPANIES
  - ALLOWS THEM THE BENEFITS OF DDP
- SIGNIFICANCE FOR LARGER COMPANIES
  - DEMONSTRATION TO USERS THAT THEY CAN OBTAIN EQUIPMENT THEY WANT

DATAPRODUCTS CORPORATION

- SALES 1979 (ESTIMATED) $165 MILLION
- THE EDGE
  - DRUM PRINTER TECHNOLOGY
  - STRONG BUSINESS FOUNDATION WITH OEM CUSTOMERS
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - AVAILABILITY OF LOW COST HIGH PERFORMANCE PRINTERS
  - ALLOWED MINICOMPUTERS TO OPERATE IN FULL SCALE BUSINESS DATA PROCESSING APPLICATIONS
- SIGNIFICANCE FOR LARGER COMPETITORS
  - ONLY THE VERY LARGEST SUCH AS IBM AND CDC COULD ENTER THE MARKET WITH SATISFACTORY ECONOMICS

MANUFACTURING DATA SYSTEMS, INC. (MDSI)

- SALES 1979 (ESTIMATED) \$41 MILLION, GROWTH 40%/YEAR

- THE EDGE

  - TIGHT RELATIONSHIP WITH A LARGE NUMBER OF KEY CUSTOMERS IN THEIR SELECTED MARKET
  - LEADERS IN THE MARKET IN PROVIDING PROGRAMS FOR N/C MACHINE TOOLS
  - USE OF RCS COMPUTERS AND NETWORKS FROM OTHER VENDORS

- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE

  - DEMONSTRATES THE SUCCESS OF A VERY SPECIFIC INDUSTRY/APPLICATION BUSINESS STRATEGY

- SIGNIFICANCE FOR LARGER COMPETITORS

  - DICTATES THE STANDARDS IN AN INDUSTRY

    - A N/C PROGRAMMING LANGUAGE
    - A LEVEL OF USER APPLICATIONS SUPPORT

PLANTRONICS, INC.

- SALES 1979 (ESTIMATED) $41 MILLION
- THE EDGE
  - SALES OF AN INGENIOUS PRODUCT (TELEPHONE HEADSET) TO THE BELL SYSTEM AND OTHER CARRIERS
  - DEVELOPMENT OF A FAVORED SUPPLIER RELATIONSHIP WITH KEY COMPANIES IN THE COMMUNICATIONS INDUSTRY
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - DEMONSTRATION OF A SUCCESSFUL PATTERN OF RELATING TO THE USER THROUGH THE CARRIERS
- SIGNIFICANCE FOR LARGER COMPETITORS
  - DEMONSTRATION THAT THE CARRIERS ARE A UNIQUE MARKETPLACE WHICH CAN BE APPROACHED IN A SPECIALIZED FASHION

PRIME COMPUTER, INC.

- SALES 1979 (ESTIMATED) $140 MILLION
  GROWTH, 50%/YEAR

- THE EDGE

  - A GOOD TECHNICAL PRODUCT MAGNIFIED BY MARKETING
  - PIONEERING IN THE USE OF MINICOMPUTERS FOR MULTIPLE ACCESS OPERATIONS
  - PIONEERING IN THE SALE OF SUPER MINIS TO END USERS

- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - LIMITED NOW TO HIGH TECHNOLOGY SOPHISTICATED USERS
  - WILL BE INCREASED AS PRIME AND ITS COMPETITORS MAKE POWERFUL SYSTEMS AVAILABLE

- SIGNIFICANCE FOR LARGER COMPETITORS
  - PRIME HAS DEMONSTRATED A SUCCESSFUL PATH WHICH OTHERS ARE FOLLOWING

THE REYNOLDS AND REYNOLDS COMPANY

- SALES 1979 (ESTIMATED) $165 MILLION
- THE EDGE
  - LONGSTANDING RELATIONSHIP WITH THEIR CUSTOMERS (THE AUTOMOBILE DEALERS)
  - AN UP-TO-DATE TECHNOLOGY POSITION
  - FULL RANGE OF SERVICES
    - FORMS
    - BATCH COMPUTING
    - REMOTE COMPUTING SERVICES
    - ON-SITE HARDWARE
  - SALES FORCE ACTING IN A CONSULTING RELATIONSHIP
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - DEMONSTRATION THAT NARROW INDUSTRY SPECIALIZATION CAN BE SUCCESSFUL
- SIGNIFICANCE FOR LARGER COMPETITORS
  - DEMONSTRATION THAT EVEN A VERY SMALL SEGMENT OF THE SMALL ESTABLISHMENT MARKET CAN SUPPORT A SIGNIFICANT COMPANY

ROLM CORPORATION

- SALES 1979 $115 MILLION
- THE EDGE
  - FOR THE CBX BUSINESS A VERY MARKET RESPONSIVE PRODUCT LINE
  - USE OF THE FLEXIBILITY OF THE DIGITAL COMPUTER IN THE CBX MARKET FOR SMALL SYSTEMS
  - A LEADERSHIP POSITION
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - MAKES AVAILABLE SOPHISTICATED COMMUNICATIONS NETWORK CONTROL EQUIPMENT TO SMALL ESTABLISHMENTS
- SIGNIFICANCE FOR LARGER COMPETITORS
  - A SMALL COMPANY EXHIBITING LEADERSHIP THAT MUST BE FOLLOWED IF THEY ARE NOT TO SEEM UNRESPONSIVE

TANDY CORPORATION

- SALES 1979 $1,215 MILLION THROUGH 7,000 STORES
  - 7,000 STORES IN PLACE 60% COMPANY OWNED
  - A POSITION ON THE LEARNING CURVE AFTER MARKETING 100,000 COMPUTERS
  - EXPERIENCE OF RADIO SHACK STORE PERSONNEL IN SELLING THESE COMPUTERS
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - INTRODUCTION TO BUSINESSMEN AND HOBBYISTS OF SMALL COMPUTERS
  - EXPECTED ENTRANCE OF OTHER COMPANIES INTO THE RETAIL MARKET
- SIGNIFICANCE FOR LARGER COMPETITORS
  - THEY MAY BE FORCED TO TAKE ACTION SOON IN THE "RETAIL" COMPUTER MARKETPLACE

GTE TELENET CORPORATION

- SALES 1979 $15.0 MILLION
- THE EDGE
  - PACKET SWITCHING TECHNOLOGY IS AN APPARENT EDGE
  - DISTANCE INDEPENDENT COMMUNICATIONS COSTS
  - COMPATIBILITY FUNCTIONS
  - A FRESH APPROACH TO DATA COMMUNICATION SERVICES
- SIGNIFICANCE TO THE SMALL ESTABLISHMENT MARKETPLACE
  - THE SMALL COMMUNICATIONS USERS HAVE INCREASED COMMUNICATIONS OPTIONS (SIMILAR TO THE LARGE USER)
- SIGNIFICANCE FOR LARGER COMPETITORS
  - THE USERS NEEDS AND WILLINGNESS OF THE USER TO OBTAIN SERVICES TO MEET THEM ARE THOROUGHLY SHOWCASED

WANG LABORATORIES, INC.

- SALES 1979 $322 MILLION
- THE EDGE
  - TECHNOLOGY EDGE OF SYSTEMS INTEGRATION OR MULTIFUNCTION EQUIPMENT
  - MATCHING OF OFFERINGS TO USER NEEDS
- SIGNIFICANCE TO SMALL ESTABLISHMENTS
  - BRINGING ADVANTAGE OF INTEGRATED SYSTEMS TO SMALL ESTABLISHMENTS
- SIGNIFICANCE FOR LARGER COMPETITORS
  - DEMONSTRATION THAT INTEGRATED FUNCTIONAL SYSTEMS ARE MARKETABLE AND CAN BE DESIGNED